

FOREIGN TRADE POLICY OF THE SOVIET GOVERNMENT

by

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INTRODUCTION

A NEW spectre darkens the political horizon of both Europe and the United States—the spectre of Soviet dumping. Contrary to expectations, Soviet exports, consisting chiefly of raw materials, have reappeared on the world market at a time when accumulation of stocks and decline in consumption have caused a sharp decline in the price of these commodities. Concern has been expressed, not so much about the volume of Soviet exports, which is relatively small, as about the methods employed by the Soviet Union to dispose of its products abroad. The Soviet government has a virtual monopoly of production and distribution, and is in a position to set the price of its exports with little or no consideration for prevailing world prices. Under these circumstances, it is believed in many quarters that the development of Soviet production envisaged by the Five-Year Plan offers a direct challenge to capitalism. This challenge, however, has been met not by reconsideration of the economic bases of capitalism, but by the adoption of measures directed against Soviet exports. While countries dependent on imported raw materials, like Great Britain and Italy, have as yet expressed little apprehension, agricultural countries, and those enjoying a differentiated economy, like France and the United States, have complained of Soviet dumping. According to some observers, these new developments in trade relations are but skirmishes preliminary to an economic war between capitalism and communism.

Prior to the World War Russia, “the granary of Europe,” fell into the category described by M. Delaisi in *Les Deux Europees* as “Europe B”—a category embracing agricultural countries which had made little headway in industry or politics, and depended on industrial States for capital and manufactured goods. The productivity of agriculture, which formed the occupation of nearly 80 per cent of the population, was low, and its methods antiquated. Industry, which furnished employment to only 9 per cent of the population, was as yet little developed. Eighty per cent of Russia’s exports consisted of grain, which averaged ten million tons a year, and other agricultural products. During the period 1909-1913 Russia contributed one-quarter of the world’s exports of wheat, two-thirds of its barley, and one-third of its oats. About 80 per cent of the total number of eggs exported came from Russia, and the country ranked second only to Denmark in the export of butter.¹ In addition, Russia exported a portion of the raw materials with which its soil abounded, notably coal, oil, timber and manganese. With its valuable deposits of manganese at Chiaturi, in the Caucasus, and at Nikopol, Russia was the leading manganese producer in the world, and exported over 80 per cent of its ore production. Russia’s imports consisted of manufactured goods, chiefly articles of luxury, and such commodities as coffee, cocoa, tea and wines. The balance of trade, generally

1. A. N. Antsiferov and others, *Russian Agriculture During the War* (New Haven, Yale University, 1930), p. 181 *et seq.*

favorable to Russia, was offset by the payment of interest on foreign debts and Russian bonds held abroad.

The Soviet government, when it came to power, feared that the perpetuation of a backward agricultural economy would not only endanger the maintenance of the "dictatorship of the proletariat," but eventually would reduce the country to little more than a colony of some one of the industrial States. The Soviet leaders proposed to avert such an eventuality by transforming Russia from a country predominantly agricultural into one predominantly industrial; the maximum of effort was to be devoted to the production of machinery and the industrialization of agriculture. Lenin was of the opinion that this fundamental transformation could be successfully effected only under a system of "planned economy," which would permit the government to regulate the use of natural resources and means of production and to plan both production and distribution over a period of years. This system, which received serious consideration during the "rehabilitation" period, following the close of civil war and intervention, was finally embodied in the Five-Year Plan, inaugurated on October 1, 1928.²

The economic reorganization undertaken by the Soviet government involved a profound alteration in the form and content of foreign trade. Not only was the Soviet Union, like all backward agricultural countries, forced to import machinery and semi-manufactured goods for the proposed development of industry and agriculture, but it had to do so at a time when the population had been impoverished by war and revolution, and when capitalistic States, alarmed by the Soviet government's repudiation of debts, were for the most part unwilling to extend credits. The lack of credits made it necessary for the Soviet government to pay for all imports with such foreign currency as it could realize on exports. As a result, imports were limited to articles required by the program of industrialization; articles of

luxury were eliminated and imports of consumers' goods drastically reduced. Increased purchases abroad necessitated a corresponding increase in exports. The decline, and total cessation in 1928, of the export of grain, owing to low agricultural productivity and conflicts between the government and the *kulaks*, made it imperative to hasten the export of other agricultural products and raw materials, even at the price of a shortage on the home market. In 1930 the Soviet government paid for industrial and agricultural machinery with exports of manganese, coal, oil, timber and furs and, in addition, resumed the shipment of grain.

THE SOVIET MONOPOLY OF FOREIGN TRADE

The establishment of control over exports and imports was regarded by Soviet leaders as a fundamental feature of the system of Socialist "planned economy." The government had taken possession of industry, banking, shipping and transportation, had reduced private trade to a minimum, and had nationalized land, at least on paper. It did not intend the products of industry and agriculture to leave the country through private channels. On April 22, 1918 the government monopolized foreign trade by a decree which provided that henceforth all transactions for sales or purchases abroad were to be concluded by representatives of the State; transactions by others than these representatives were strictly prohibited.³

The monopoly of foreign trade is exercised on behalf of the State by the People's Commissariat for Trade, which is directly responsible to the State Planning Commission (*Gosplan*) and the Council for Labor and Defense (*Sto*), and is represented abroad by trade delegations. The commissariat annually draws up a plan of exports and imports in accordance with the conditions of industry in the Soviet Union.⁴ This plan, which is subject to ratification by the Council for Labor and Defense acting in agreement with the State Planning Commission, specifies the type and quantity of goods

2. Cf. G. T. Grinko, *The Five-Year Plan of the Soviet Union* (New York, International Publishers, 1930), for a comprehensive account of the plan and its results during the first two years of operation. For an analysis of the plan with regard to agriculture, cf. V. M. Dean, "Russia's Agrarian Problem," *F. P. A. Information Service*, Vol. VI, No. 10, July 23, 1930. In September 1930 the Soviet fiscal year was changed to coincide with the calendar year.

3. *Sbornik Deistvoischiekh Dekretov i Postanovlenii po Vneshnei Torgovle* (Collection of Decrees and Ordinances Regarding Foreign Trade), published by the People's Commissariat for Foreign Trade (later reorganized as People's Commissariat for Trade), Moscow, 1924-1926, 3 vols., Vol. I, p. 11. For a study of the various questions raised by the monopoly of foreign trade, cf. L. B. Krassin, *Voprosy Vneshnei Torgovli* (Problems of Foreign Trade), Moscow, State Publishing Board, 1928.

4. Ordinance of the Council of People's Commissars, September 18, 1923, *ibid.*, p. 13.

which may be exported and imported in the course of the year. No goods can leave or enter the country without a license.⁵ The commissariat must present to the State Planning Commission a quarterly report of the export licenses it has issued to Soviet trusts and other organizations and the import licenses issued by trade representatives abroad.

Following the introduction of the New Economic Policy in 1921, government undertakings and enterprises were permitted to engage in trade,⁶ but were obliged to submit annual reports to the People's Commissariat for Trade, which in turn was to present them

to the State Planning Commission.⁷ A reorganization of export was effected on February 10, 1930.⁸ The export of certain products, such as oil, coal and matches, was assigned to special branches of the State trusts engaged in their production, with the approval of the commissariat. The import of consumers' goods, as in the past, was confided chiefly to cooperative organizations, which might engage in foreign trade only after consultation with the commissariat.⁹

The relative part played in Soviet foreign trade by various organizations is illustrated by the following table.¹⁰

DIVISION OF SOVIET FOREIGN TRADE BY ORGANIZATIONS

	EXPORTS (In rubles)		IMPORTS (In rubles)	
	1927-28	1928-29	1927-28	1928-29
State trading organizations	218,346,000	220,077,000	66,842,000	85,788,000
Other State enterprises	257,845,000	336,503,000	316,361,000	269,182,000
State joint-stock companies	97,846,000	100,176,000	401,432,000	333,426,000
Co-operatives	134,471,000	142,168,000	72,811,000	73,362,000
Mixed companies (with foreign capital)	27,221,000	39,699,000	15,965,000	13,648,000
Foreign firms	30,817,000	35,173,000	53,987,000	53,332,000
Private traders and firms	4,771,000	697,000	10,694,000	4,034,000
Other enterprises	6,532,000	3,103,000	7,439,000	3,531,000
TOTAL	777,849,000	877,596,000	945,531,000	836,303,000

It is estimated that the transactions of private individuals and firms constitute less than one per cent of the total turnover.

Soviet exports are financed by the Bank for Foreign Trade (formerly the Russian Commercial Bank) and the State Bank, which finances exports of oil, grain, timber and, to some extent, flax and furs. The Soviet tariff is largely a fiscal measure. Duties on imports are levied by the State on organizations which it for the most part controls, and have no perceptible effect on the content of foreign trade.

TRADE REPRESENTATIVES

The trade representatives form "an integral part of the plenipotentiary representation" of the Soviet government in States

with which it has official trade relations.¹¹ Practically all Soviet purchases abroad are effected by trade representatives, who are also charged with the duty of furthering the sale of Soviet products. The trade agreements concluded by the Soviet Union with other States invariably recognize the existence of the monopoly of foreign trade, and accord diplomatic privileges to the head of the Soviet trade delegation, with the exception of immunity from suit.¹²

8. *Economic Review of the Soviet Union*, April 1, 1930, p. 136.

9. Circular of the People's Commissariat for Trade to Trade Representatives Abroad, August 22, 1923 (*Sbornik Deistvoisichikh Dekretov*, cited, p. 69.)

10. *Soviet Union Year-Book, 1930*, compiled and edited by A. A. Santalov and Louis Segal (London, Allen and Unwin, 1930), p. 297.

11. Ordinance of the All-Russian Executive Committee, October 16, 1922 (*Sbornik Deistvoisichikh Dekretov*, cited), p. 13; cf. also Regulations Regarding the Appointment of the Representatives of the R.S.F.S.R. abroad, January 24, 1922; E. A. Korovin, *Mezhdunarodnye Dogovory i Akty Novaya Vremeni* (International Agreements and Acts of the New Period), Moscow, 1925, No. 40, Article 9.

12. The texts of Soviet trade agreements may be found in *Sbornik Deistvoisichikh Dogovorov, Soglasenii i Convenzi, Zakluchennikh s Innostrannymi Gosudarstvami* (Collection of Treaties, Agreements and Conventions concluded with Foreign States), Moscow, 1921-1928, hereafter cited as *Sbornik*.

5. For an exception to this rule, cf. section on trade with Eastern countries, p. 374-75.

6. *Ibid.*, p. 62-63.

7. Ordinance of the Council for Labor and Defense, February 15, 1924, *ibid.*, p. 62.

As has already been pointed out, the content of Soviet foreign trade is determined primarily by the exigencies of the program of industrialization set forth in the Five-Year Plan. Soviet foreign trade is at present estimated as constituting less than 2 per cent of world trade. The last two years have witnessed a steady increase in Soviet imports of machinery, and a decrease in imports of certain raw materials, notably cotton, the production of which has been expanded in the Soviet Union. The collectivization of agriculture in 1929-1930 resulted in large purchases of tractors and other agricultural machinery, chiefly in the United States. Imports have not as yet reached the pre-war level; in 1928-1929 total imports were estimated at 836,303,000 rubles, as compared with 1,374,000,000 rubles in 1913.¹³

In placing orders abroad, the Soviet government is guided by two main considerations: the technical qualifications of industry in a given country to furnish machinery and other means of production adapted to Soviet needs, and the credit facilities offered by foreign manufacturers, either alone or in co-operation with government institutions. For industrial equipment the Soviet government has turned to technically advanced countries—Great Britain, Germany and the United States—where it also has recently obtained a certain amount of long-term credits. Soviet imports from agricultural countries, and countries engaged chiefly in the manufacture of articles of luxury, such as France and Italy, have been relatively unimportant.

PRESENT CHARACTER OF SOVIET EXPORTS

During the past two years the content of Soviet exports has been characterized by a decline in agricultural products, especially grain, and an increase in raw materials. As a result of the expansion of oil production, the export of petroleum is now four times what it was in 1913. In 1928-1929 the export of manganese reached 75 per cent, and that of timber 94 per cent of the pre-war figure.¹⁴ The collectivization of agriculture, and mechanization of production on State

and collective farms in 1930 produced an exportable surplus estimated at six million tons, or over half of the pre-war export. Manufactured goods, such as rubber footwear, crockery, textiles and canned foods, have been exported chiefly to border States—Estonia, Latvia, Lithuania and Finland—and to Eastern countries. The Soviet government expects that, as a result of the fulfillment of the Five-Year Plan, agricultural exports will play a less important, and industrial products an increasingly more important, part. Soviet manufactured goods, however, are as yet poor in quality, and are not in a position to compete with those of Western States, except in countries where the buying capacity and the standard of living of the population are comparatively low. Exports still fall short of the pre-war level: in 1928-1929 they totaled 877,596,000 rubles, as compared with 1,520,000,000 rubles in 1913.¹⁵ The failure of Soviet exports to reach the pre-war level, despite expansion of production, is attributed by Soviet spokesmen to the development of domestic consumption.

CHARGES OF DUMPING

It is charged, both in Europe and the United States, that the Soviet government is selling various products, principally raw materials, at prices below not only the world price, but the cost of production as well, and is discriminating between different markets. These transactions, it is claimed, constitute dumping, and should be prevented by the application of anti-dumping legislation. The term "dumping," as used by economists, signifies the sale of any product at a price lower than that charged at the same time and under like circumstances on the domestic market; when an exported commodity is of a type which finds no market in the producing country, the sale for export to one foreign market at a lower price than to another may also be regarded as dumping.¹⁶ Resort is frequently made to dumping for the purpose of disposing of an overstock of goods or developing new markets; systematic dumping, however, is unlikely to occur under competitive conditions.

The case of the Soviet government presents a number of unusual features. The

13. The gold ruble at par is worth 51 cents. The ruble is not quoted on foreign exchanges. The value of the Soviet ruble on the "Black Bourse" in Berlin and Warsaw fluctuates widely.

14. State Planning Commission of the U.S.S.R., *Controlnye Tsifry Khozyaystva S.S.S.R. na 1929-1930 god* (Control Figures of the National Economy of the U.S.S.R. for 1929-1930), Moscow, "Planned Economy," 1930, p. 327.

15. *Soviet Union Year-Book, 1930*, p. 289.

16. League of Nations, *Memorandum on Dumping*, by Jacob Viner, C.E.C.P.36(1), Geneva, 1926.

government not only owns all the means of production and natural resources of the country and controls foreign trade, but is also the sole employer of labor. Wages are fixed by the government after consultation with the trade unions, and paid in fiat money backed by an insignificant amount of gold. Under the circumstances, it is difficult, if not impossible, to ascertain the cost of production, and to determine whether dumping is actually taking place. An attempt might be made to evaluate the cost of Soviet manufactured goods on the basis of the price paid for foreign machinery or technical assistance, but even this criterion is absent in the case of raw materials, the production of which costs the government nothing over and above paper-money wages.

Critics of the Soviet government claim that the latter is dumping raw materials with a view to dislocating world prices and creating a condition of economic depression and dissatisfaction favorable to revolution. Soviet spokesmen, however, assert that whenever they undersell world prices, it is only in order to realize foreign currency on short notice for the payment of bills due on purchases abroad, and that the extension of credit facilities would obviate the necessity of resorting to such methods. The Soviet government, they add, is no more willing than private exporters to suffer losses when it can make profits. The decline of world prices on raw materials, they claim, was unfavorable to Soviet exports in 1930. According to official Soviet figures, Soviet imports during the first six months of the fiscal year 1929-1930 exceeded exports by \$10,348,000.

The anti-dumping legislation adopted by a number of countries usually provides for additional duties on goods which, upon investigation, are found to have been dumped. Presumably, however, the Soviet government, if hard pressed to dispose of its goods, would find it possible to undersell despite such additional duties. Concerted action against all forms of dumping was advocated by the Second (Economic) Committee of the League of Nations in September 1930. On October 1, 1930 the eleventh Assembly adopted a resolution expressing the desire "that the subject of concerted action, not only in regard to the various forms of indirect protectionism, but also in regard to

every aspect of dumping, should be studied with the least possible delay."¹⁷

THE STATUS OF WORKERS IN THE SOVIET UNION

Closely related to the accusation of dumping is the charge made in many quarters that the goods exported by the Soviet government are the product of convict or, at best, involuntary labor, and therefore offer unfair competition to goods produced by voluntary labor in Western States. Socialist economy, as practiced in the Soviet Union, presupposes participation by all able-bodied workers in the production undertaken by the State on conditions determined by the latter. Individual ambition is superseded by unquestioning devotion to the welfare of the State. Wages, and the "real wages" which they represent in terms of commodities, are regarded as but a fraction of the gain accruing to the workers, whose efforts, it is claimed, are rewarded by the consciousness of building a Socialist State for the good of future generations.

Soviet spokesmen assert that workers in the Soviet Union are paid comparatively good wages and, in addition, enjoy the advantages of social insurance, medical treatment and other privileges at the expense of the State. At present, when a large proportion of the national income is invested in capital undertakings which have not yet become productive, and consumers' goods are both scarce and expensive, Soviet "real wages" fall below the world standard. The Soviet government, however, believes that this condition is temporary, and will be relieved by an increase in the production of consumers' goods.¹⁸

The industrialization of the Soviet Union has far outstripped the available supply of skilled labor. Such unemployment as exists affects principally unskilled workers and former agricultural laborers. The migration of workers from one part of the country to another in search of better living conditions, and the return of many industrial workers to the villages at the height of collectivization in 1930, created a shortage of labor in

17. League of Nations, *Journal of the Eleventh Session of the Assembly*, No. 20, October 2, 1930, p. 412.

18. Walter Duranty, *New York Times*, November 11, 1930. In November the Soviet government instituted the system of crediting workers with their wages through savings banks, instead of paying them in cash. (*Ibid.*, November 23, 1930.)

industry. To meet this situation, the government issued a decree on October 20, 1930 discontinuing unemployment doles, drafting all unemployed persons, and providing special privileges for workers permanently employed.¹⁹

The alarm aroused by the increase of Soviet exports is accompanied by disillusionment on the part of industrial States concerning the potentialities of the Soviet Union as a market for their products. At the close of the World War, Europe sought markets and economic stability, and feared to find neither if it continued to boycott the Soviet government. Recognition was accorded by nearly all European States in the hope that trade would follow the resumption of intercourse. These hopes were for the most part doomed to disappointment. The Soviet government has barred all imports which the country cannot afford to buy, and has limited its purchases to articles required by the program of industrialization. It is interesting to note that the United States, which has not recognized the Soviet government, is second only to Germany in the export of goods to the Soviet Union, and now threatens to surpass it.

CONFLICTING VIEWS OF SOVIET TRADE

Soviet spokesmen claim that the monopoly of foreign trade offers distinct advantages to foreign manufacturers, in that it eliminates the expense of advertising and sales' promotion, and places financial responsibility squarely on the government, which has never defaulted. They declare, moreover, that while the country, in striving to attain the level of advanced capitalistic States, must temporarily sacrifice the interests of consumers to those of industry, it will eventually offer an important market for commodities at present banned as luxuries. Many foreign manufacturers, however, believe that direct negotiations with Soviet trusts and other institutions would enable them to gauge more accurately the needs of Soviet industry and to avoid much of the red tape involved in transactions with trade delegations. They assert, furthermore, that long-term credits would be extended for Soviet purchases more readily if the risks could be

distributed over a number of undertakings, and not made contingent on the solvency of the government alone. Finally, they express the fear that the Soviet Union, once it has been supplied with foreign machinery, will become an economically "closed," self-sufficient State; this prediction is denied by Soviet publicists.²⁰

Similar disappointment has been voiced by a number of firms which obtained Soviet concessions in the hope of finding a field for the investment of capital. Following the introduction of the New Economic Policy, the Soviet government sought to attract foreign capital for the "rapid utilization of Russia's undeveloped resources," and on November 23, 1922 promulgated a decree setting forth the conditions on which concessions would be granted. A decree of September 14, 1928 made a number of additions to the list of enterprises offered to foreign concessionaires, and attempted to facilitate the operation of concessions. Concessionaires were permitted to import materials for the construction of their plants duty free, if the materials required were not available in the Soviet Union, and to export foreign currency. All capital required for plant establishment was to come from abroad in the first instance, but thereafter the concessionaires were to utilize a part of their profits for future development. Taxes which previously had been collected by State and local authorities were made payable in a lump sum.

In spite of these measures, a number of American and British concessionaires have withdrawn from the Soviet Union during the past two years, notably W. A. Harriman and Company and the Lena Goldfields Company. Foreign concessionaires claim that in 1928 the Soviet government undertook to root out the remnants of capitalism, and placed insuperable obstacles in the way of the normal operation of concessions. Soviet spokesmen, for their part, charge that the failure of the Harriman and Lena Goldfields concessions was due to the inability or unwillingness of the concessionaires to invest the necessary capital.²¹

20. Grinko, *The Five-Year Plan of the Soviet Union*, cited, p. 47.

21. Cf. N. Liubimov, "The Soviets and Foreign Concessions," *Foreign Affairs*, October 1930, p. 95. The author of this article estimates that the value of the output of foreign concessions, as of October 1, 1928, was about \$44,100,000 on a capital investment (as of the beginning of 1929) of about \$25,765,000.

19. *Izvestia* (News), official organ of the Soviet government, October 22, 1930.

QUESTIONS RAISED BY SOVIET POLICY

Two fundamental questions are raised by the operation of Soviet foreign trade. It may be asked, in the first place, whether ordinary commercial intercourse can take place when one of the parties is a government which constitutes not only a political, but an economic dictatorship, and whose trade is determined by political, as well as economic considerations. More far-reaching still is the question whether two such divergent systems as capitalism and socialism can indefinitely exist side by side. At the World Economic Conference in 1927 the Soviet delegation proposed the adoption of a resolution recognizing the co-existence of the

two systems. The American delegation, however, suggested a substitute resolution, which was finally adopted, to the effect that the participation of all States in the conference, "irrespective of differences in their economic systems," was "a happy augury for the pacific commercial co-operation of all nations." Today the Soviet government makes no secret of the fact that socialism is distinctly antagonistic to capitalism. According to Soviet spokesmen, "this [antagonism] results in the historic necessity of the rapid tempo of industrialization, and makes inevitable the struggle and competition between the two systems—socialist and capitalist—the results of which will determine the fate of socialism not only in this country but throughout the world."²²

SOVIET TRADE RELATIONS WITH LEADING STATES

No general conclusions concerning the trend of Soviet foreign trade and its prospects for the future can be reached until the economic relations of the Soviet Union with the leading States of the world have been analyzed, and their development compared. When the Soviet government came to power, it found itself in "a hostile capitalistic environment" at the close of a world war which had shattered normal commercial intercourse. The Allies, having failed to bring together at the conference table the representatives of all Russian political groups, including the Bolsheviks, established an economic blockade of Soviet Russia in 1919 by action of the Supreme Council.²³ Failure to dislodge the Soviet government by means of intervention, combined with the conviction that renewal of intercourse with Soviet Russia was essential for the economic restoration of post-war Europe, caused the Allies to revise their policy. The economic blockade was raised by the Supreme Council in 1920.

The resumption of trade with Russia necessitated arrangements for the protection of foreign citizens and their property within its borders. At the conference of San Remo, 1920, the Supreme Council authorized the Allied governments to confer with the Russian trade delegation then in Copenhagen regarding the terms of commercial intercourse.²⁴ It was hoped at the time that trade with Russia might be conducted through the intermediary of Russian co-operatives, non-political organizations which were represented by the trade delegation in Copenhagen.

It was soon discovered, however, that the monopoly of foreign trade precluded such an arrangement, and that definite results could be obtained only by negotiations with the Soviet government itself. Consequently, a trade delegation representing the Soviet government was invited to London to confer with the Supreme Council.²⁵ The collective negotiations initiated in London by the Permanent Committee of the Supreme Council did not find favor with some of the Allied and Associated Powers, notably France.²⁶

22. Union of Soviet Socialist Republics, *Piatiletnyi Plan Narodno-Khozyaystvennogo Stroitelstva S.S.S.R.* (The Five-Year Plan for the National Economic Construction of the U.S.S.R.), Moscow, "Planned Economy," 1929, 3 vols., Vol. II, Part 2, p. 404.

23. By a note of October 30, 1919 the Supreme Council invited Germany and neutral countries to participate in this blockade. (*New York Times*, October 31, 1919; *Parliamentary Debates*, House of Commons, Vol. 120, 1919, October 23, 1919, p. 173.) Germany refused to cooperate. (*Parliamentary Debates*, House of Commons, Vol. 121, 1919, November 24, 1919, p. 1439.) The neutral governments replied that none of them had commercial relations with Russia at the time. (*Ibid.*, Vol. 121, 1919, November 25, 1919, p. 1665.)

24. Cf. speeches made by Lloyd George in the House of Commons, *Parliamentary Debates*, Vol. 129 (1920), June 23, 1920, p. 2030; *ibid.*, Vol. 130 (1920), June 7, 1920, p. 164.

25. Lloyd George, *Parliamentary Debates*, House of Commons, Vol. 129 (1920), June 3, 1920, p. 2030. The Soviet delegation was headed by M. Krassin.

26. Lord Hardinge, British Ambassador in Paris, to M. Briand, June 14, 1921. (*British and Foreign State Papers*, Vol. 114, 1921, p. 274.)

The committee was eventually dissolved, and each government was left free to conduct separate negotiations with the Soviet government.

RESUMPTION OF TRADE WITH GREAT BRITAIN

The resumption of trade between Great Britain and Russia was advocated in British business circles on the ground that it would improve economic conditions and minimize the danger of unemployment. The fear that Germany, profiting by Great Britain's delay, would invade the Russian market also acted as a powerful incentive. The negotiations which opened in May 1920, however, met with criticism in the House of Commons, where it was argued that no commercial intercourse should be established with a government which maintained itself by force and encouraged revolutionary movements.²⁷ In answer to these arguments, Lloyd George declared that trade with a given country did not involve recognition or approval of its government. A trading community, he said, cannot have prejudices; it cannot examine the records of its customers.²⁸

The Anglo-Soviet negotiations culminated in the conclusion of a trade agreement on March 16, 1921.²⁹ The agreement provided, in the preamble, for the immediate resumption of trade between the two countries, pending the conclusion of a formal general peace treaty.³⁰ The British government stressed the technical character of the agreement, and asserted that it had no political significance, beyond admission of the existence of the Soviet government *de facto*.³¹ The Soviet government accepted the interpretation placed on the agreement by Great Britain, and welcomed it as the first step to-

wards the renewal of intercourse with Western States.³²

The trade agreement provided for the appointment by the Soviet government of official and semi-official agents to represent it in trade relations with Great Britain. The official agents of the Soviet government were accorded the privileges usually enjoyed by diplomatic agents, with the notable exception of immunity from suit.³³

The conclusion of the trade agreement was followed by the establishment in Great Britain of special organizations to deal with various branches of Anglo-Soviet trade. Arcos, Ltd., the purchasing and selling agency for the principal Soviet import and export organizations, had been established in 1920. Of the other Soviet agencies in Great Britain, the most important are the Russian Oil Products, Ltd. (ROPS), representing the Naphtha Syndicate; the White Sea Timber Trust, agents for the sale of Soviet timber; the Russo-British Grain Export Company, representing the Grain Export Trust, and the agencies of Soviet co-operatives—*Centrosoyus* and *Selskosoyus*.

Until 1925 the balance of trade between the two countries showed considerable fluctuation; since that date the Soviet government has maintained a favorable balance,

27. Debate on the Resumption of Commercial Relations with Russia, *Parliamentary Debates*, House of Commons, Vol. 129 (1920), June 3, 1920, p. 147 *et seq.*

28. *Ibid.*, Vol. 130 (1920), June 7, 1920, p. 167-169.

29. *British and Foreign State Papers*, Vol. 114 (1921), p. 128. The agreement was signed by Sir Robert Horne, president of the Board of Trade, on behalf of Great Britain, and M. Krassin on behalf of the Soviet government. The application of the agreement was extended to Canada by an exchange of notes July 3, 1922; *ibid.*, Vol. 116 (1922), p. 197.

30. The period of intervention and blockade was regarded as one of technical hostilities.

31. *Parliamentary Debates*, House of Commons, Vol. 139 (1921), p. 2506. The English courts, however, made no distinction between recognition *de facto* and recognition *de jure*, and held that the conclusion of the agreement constituted recognition of the Soviet government. (*Luther v. Sagor*, 3 K.B. [1921], p. 533, 543.) Great Britain did not recognize the Soviet government until 1924.

32. Lenin, Report on the Policies of the Soviet Government, *Deviaty Vse-Rossiiskii S'ezd Sovetov S.S.S.R.* (Ninth All-Russian Congress of the Soviets of the U.S.S.R.), December 22, 1921. Stenographic Report of the Congress, Moscow, 1922, p. 7. The British agreement served as model for the preliminary agreement of December 26, 1921 between Italy and Russia (*Sbornik*, 1924, No. 11), which remained in force until the recognition of the Soviet government by Italy on February 7, 1924 and the conclusion of a commercial agreement on that date. The German trade agreement, May 6, 1921, and the Austrian trade agreement, December 7, 1921, were negotiated by the Foreign Offices of the contracting parties. (League of Nations, *Treaty Series*, VI, 1921, p. 268; *ibid.*, XX, 1923, p. 154.) The preliminary trade agreement with Norway, September 2, 1921, was regarded by Soviet jurists as an act of recognition. (*Ibid.*, VII, 1921, p. 294.) It served as a model for the preliminary Danish agreement, April 23, 1923. (*Ibid.*, XVIII, 1923, p. 16.) The temporary Czechoslovak agreement, June 5, 1922, expressly provided that its conclusion in no way prejudged eventual decision on the question of recognition. (*Sbornik*, 1924, No. 28.) The first Swedish agreement, February 1, 1921, failed of ratification. (B. E. Stein, *Torgovaya Politika i Torgovye Dogovory Sovetskoi Rossii, 1917-1923* [Trade Policy and Trade Agreements of Soviet Russia, 1917-1923], Moscow, 1923, p. 185.)

33. In *Fenton Textile Association Ltd. v. Krassin*, 28 T.L.R. 259 (1921), the question was raised whether or not M. Krassin, head of the Soviet delegation in Great Britain, was entitled to immunity from suit. The court was informed by the Foreign Office that only representatives of governments *de jure* were included in the list of persons entitled to diplomatic immunity. The court did not attempt to interpret the trade agreement; it accepted the view of the political department. Cf. decision of the Tribunal of Rome, May 20, 1921, to the effect that M. Vorovsky, Soviet trade representative in Italy, had been received solely because of commercial considerations, and was not entitled to the usual privileges and immunities accorded to duly accredited diplomatic agents. (*Il Foro Italiano, Raccolta Generale di Giurisprudenza*, Vol. XLVI, 1921, *Giurisprudenza Penale*, p. 348.) The German and Austrian agreements accorded to the head of the Soviet trade mission the privileges enjoyed by the heads of other accredited missions. The Norwegian and Danish agreements provided that the members of the Soviet missions were to be accorded all privileges usually enjoyed by members of diplomatic missions.

Soviet sales on the British market being on the average double the value of Soviet purchases. This favorable balance is offset to some extent by the payment of freight charges to British ships. In 1927 British shipping carried 13 per cent of the total cargoes of the Soviet Union.³⁴ The total turnover of Anglo-Soviet trade for the period 1920-1929 is estimated at £278,425,000, of which sales by the Soviet government constituted £165,408,000, and purchases, £113,017,000.

Rupture of Diplomatic Relations—1927

The development of Anglo-Soviet trade received a setback in May 1927 when the British police raided the offices occupied jointly by Arcos and the Soviet trade delegation, presumably for the purpose of obtaining evidence of propaganda activities. This raid was described by the Soviet government as a violation of the agreement of 1921, which provided that official trade agents "shall personally enjoy . . . immunity from arrest and search."³⁵ The privileges of the Soviet trade delegation were finally withdrawn, and their departure from Great Britain was requested.³⁶ The British government declared, however, that it had no desire "to interfere with the ordinary course of legitimate Anglo-Russian trade," and would therefore "place no obstacles in the path of genuine commerce between the two countries." It further declared its willingness to "prolong the operation of privileges for the usual trade between Canada and the Soviet Union." Arcos and other Soviet agencies were permitted to remain in Great Britain and engage in business.

Nevertheless, the suspension of diplomatic relations had an immediate adverse effect on purchases by the Soviet government in Great Britain, which fell off from £31,171,000 in 1925 to £6,374,000 in 1928. The Soviet government made no secret of the fact that the

diplomatic rupture had caused it to divert purchases of machinery and other manufactured goods from Great Britain to Germany and the United States.³⁷ It claimed, furthermore, that the difficulty of obtaining credits in Great Britain made it expedient to place orders with German and American firms, which were willing to extend long-term credits.

The Conservative government was definitely opposed to the granting of credits for trade with the Soviet Union. Mr. Hacking, Parliamentary Secretary to the Overseas Trade Department, when submitting the Overseas Trade (Guarantees) bill to the House of Commons on November 19, 1928 stated that the bill was not applicable to Russia.³⁸ He claimed that the economic condition of the Soviet Union was not such as to encourage individuals, let alone the government, to risk money in trade with that country. In the course of the debate, members of the Labour party argued that Great Britain needed the Russian market and claimed that discrimination against the Soviet Union was based on political rather than economic grounds.

The Labour Government and Soviet Trade

In April 1929 a delegation of British manufacturers visited the Soviet Union, where they were assured that large orders would follow the resumption of diplomatic relations and the extension of credits. The Labour party, in pre-election statements, had pledged itself to "establish relations with the Soviet government," and to encourage a revival of trade with the Soviet Union. In fulfillment of this pledge, Mr. Henderson, Secretary for Foreign Affairs in the Labour Cabinet, and M. Dogvaleyevski, Soviet Ambassador to Paris, signed a protocol on October 3, 1929 providing for the re-establishment of diplomatic relations and the exchange of Ambassadors.³⁹ In presenting this protocol

34. *The Soviet Union Year-Book, 1930*, p. 240.

35. Cf. note addressed by M. Litvinov, Acting People's Commissar for Foreign Affairs, to Mr. Peters, British Chargé d'Affaires pro tem in Moscow, May 17, 1927. (*Anglo-Sovetskije Otnosheniya, 1921-1927* [Anglo-Soviet Relations, 1921-1927], Moscow, 1927, p. 115.)

36. Sir Austen Chamberlain to M. Rosengolz, Soviet Chargé d'Affaires, May 27, 1927, *ibid.*, p. 130. Official relations were suspended for Canada as well. (Sir Austen Chamberlain to M. Rosengolz, June 31, 1927, *ibid.*, p. 160.) For further details, cf. A. J. Toynbee, *Survey of International Affairs, 1927* (Oxford University Press, 1929), p. 266 et seq.

37. Cf. "Economicheskoye Vsaimootnosheniya mezhdu Sovetskimi Soyuzom i Velikobritaniyei" (Economic Relations Between the Soviet Union and Great Britain), *Sovetskaya Torgovlya* (Soviet Trade), April 11, 1929, p. 3.

38. *The Times* (London), November 20, 1928. The purpose of this bill was "to extend the periods during which guarantees may respectively be given and remain in force under the Overseas Trade Acts, 1920 to 1926." Under these acts the trader is guaranteed by the government the agreed proportion of his bills on maturity and also unconditionally any bank overdrafts contracted against these bills for the purpose of finding working capital.

39. *British Parliamentary Papers, Russia No. 1 (1929)*, Cmd. 3413, London, H. M. Stationery Office, 1929.

to the House of Commons on November 5, 1929 Mr. Henderson said:

"... Russia has very largely reduced her purchases in this country since relations were broken off. ... There can be no doubt that the absence of diplomatic relations does impose a very serious handicap upon our trade."

He emphatically declared, however, that the government did not intend "to recommend Parliament to pledge the credit of the British taxpayer to any loan raised by the Soviet government."⁴⁰ In the course of the debate, speakers representing all three parties stressed the necessity of finding outlets for British products, although a number of them were pessimistic regarding the opportunities offered by the Soviet market in view of that country's impoverishment. It was urged that if credits were granted to the Soviet government, the latter should be asked to guarantee that the money thus obtained would be expended for the purchase of goods in Great Britain, and not in other countries."

In accordance with the terms of the protocol, which provided for future negotiations between the two governments regarding commercial questions, a temporary trade agreement was concluded on April 16, 1930, by which the British government recognized the monopoly of foreign trade, and agreed to concede diplomatic privileges to Soviet trade agents, with the exception of immunity from suit.⁴¹ Prior to the conclusion of this agreement, debates in the House of Commons revealed the desire of British manufacturers to find a market for their products in the Soviet Union. Mr. Gillett, Secretary of the Overseas Trade Department, said:

"Anyone who studies the trade position of Great Britain today. . . must now know that we cannot afford to leave out of the scope of our business connections this great country of Russia. Every effort should be made, in view of our trade depression and the large number of our unemployed, to improve our export trade with that country. . ."⁴²

The resumption of diplomatic relations was favorably reflected in the increase of Soviet purchases in Great Britain during the latter half of 1929, bringing total purchases

for that year to £12,908,000, or double that for the previous year.⁴³ The chief imports from Great Britain (exports and re-exports) which showed increases in 1928-1929 were sugar, hides, iron and steel, zinc, wire and wool (raw, carded and spun). Decreases were noted in copra, rubber, tin, lead, herring and tea.⁴⁴ The increase in purchases may partly be explained by the extension on August 1, 1929 of the Export Credits Guarantee Scheme to the Soviet Union.⁴⁵ By September 1930 twenty-two contracts to the total value of £4,000,000 had been concluded by British manufacturers with respect to Soviet purchases. The articles covered were coal, machinery, textiles, metals and chemicals.⁴⁶

Soviet exports to Great Britain in 1928-1929 totaled £29,622,000, and consisted chiefly of bristles, furs, lumber, plywood and other timber products, canned goods and petroleum products; wheat disappeared from the list of exports, while eggs, oil cake and matches declined considerably.⁴⁷ In September 170 British ships were chartered by the Soviet government for the transportation of grain from Black Sea ports, as compared with 300 in 1913. It was feared that Soviet exports of wheat would depress prices on the Liverpool exchange; the decline in price, however, was comparatively slight and temporary,⁴⁸ and was generally regarded as advantageous to the British consumer.

The Lena Goldfields Case

On October 1, 1929 six concessions were operated in the Soviet Union by British firms,⁴⁹ the most important of which was the concession granted to the Lena Goldfields Company in 1925. This company represented the former concern of the same name in Siberia, and other enterprises in the Ural-South Altai region, whose property had been

40. *Parliamentary Debates*, House of Commons, November 5, 1929, Vol. 231 (1929), p. 895.

41. Mr. Samuel, *ibid.*, p. 927.

42. Great Britain, *Treaty Series*, No. 19 (1930), Cmd. 3552, London, H. M. Stationery Office, 1930.

43. *Parliamentary Debates*, House of Commons, Vol. 237 (1930), p. 566.

44. *Soviet Union Year-Book*, 1930, p. 345. In 1913 Russia's exports to Great Britain aggregated 267,009,000 rubles, and its imports 170,352,000 rubles.

45. United States, Department of Commerce, Bureau of Foreign and Domestic Commerce, "Foreign Trade of Soviet Russia in 1928-1929," *Commerce Reports*, April 21, 1930, p. 139 et seq.

46. Cf. "Finansirovaniye Sovetskoi-Angliiskoi Torgovli i Angliiskaya Pravitel'stvennaya Shema" (Financing of Anglo-Soviet Trade and the British Government Scheme), *Sovetskaya Torgovlya* (Soviet Trade), October 3, 1929, p. 5.

47. *Economic Review of the Soviet Union*, November 1, 1930, p. 435; Mr. Gillett, Secretary Overseas Trade Department, *Parliamentary Debates*, House of Commons, Vol. 233 (1929), p. 20.

48. Department of Commerce, "Foreign Trade of Soviet Russia, 1928-1929," cited. This estimate is based on official Soviet figures.

49. *The Times* (London), September 13 and 23, 1930.

50. *Soviet Union Year-Book*, 1930, p. 207.

nationalized in 1917. The concession agreement of 1925 gave the Lena Goldfields Company the right to exploit metal and mineral resources in districts formerly controlled by the dispossessed enterprises, to navigate the Lena river and to operate a number of subsidiary undertakings. The concessionaire undertook to provide for the industrial development of the region in accordance with the most modern technical achievements; to carry out certain minimum programs of production; to invest a specified amount of money during the first seven years of the concession; and to pay certain royalties to the government by way of percentages on production. The concession agreement provided that all disputes and misunderstandings concerning its interpretation or execution should, on representation by either party, be examined by an arbitration court to be composed of three members, one to be appointed by each party, and a "super-arbitrator," to be selected by mutual agreement of the parties. The agreement further provided that if one of the parties, in the absence of insuperable obstacles, failed to send its arbitrator or refused to participate, then the matter in dispute should be settled by the "super-arbitrator" and the other member of the court, "such settlement to be valid only if unanimous."⁵¹

The Lena Goldfields Company, despite alleged breaches of the concession agreement by the Soviet government, realized considerable net profits in the first three years of operation. During that period the company borrowed some 4,500,000 rubles from the government, which it had not repaid by 1929, and in addition owed the government royalties to the amount of 644,000 rubles.⁵² The company claimed that in 1929 the government reversed the New Economic Policy which had permitted the operation of concessions by capitalistic concerns in a com-

munist State, and adopted legislative and administrative measures which eventually made it impossible for the company to perform its obligations under the agreement. On February 12, 1930 the Lena Goldfields notified the Supreme Economic Council that it would submit to arbitration the question whether or not recent changes of policy had prevented fulfillment of the agreement, and the compensation due the company in consequence. The government, on February 25, agreed to arbitrate, but advanced three counter-claims of its own: the company, it declared, had failed to pay royalties and other accounts; had not fulfilled the production and construction programs; and had conducted its business in a neglectful manner, with resulting loss to the national economy of the country. Compensation was demanded by the government on the last two of these counts.⁵³

Soviet Concession Policy in Dispute

In accordance with the provisions of the concession agreement, Sir Leslie Scott and M. Chlenov were appointed arbitrators by the Lena Goldfields and the Soviet government respectively, and in April the two parties selected Professor Otto Stützer of the Mining Academy in Freiberg as "super-arbitrator." The first meeting of the arbitration court was fixed for May 9 in Berlin. On May 1 the Lena Goldfields suspended all operations, cancelled powers of attorney and instructed its foreign employees to leave the Soviet Union. The Soviet government declared that the concession agreement had been dissolved by "the one-sided and unlawful action of the Lena Goldfields," and notified both the company and the "super-arbitrator" that, under the circumstances, the arbitration court had ceased to function; it offered to settle outstanding issues by means of negotiation. On May 29 the Soviet government took over all steamships, materials, structures and other property of the Lena Goldfields.⁵⁴

Professor Stützer notified the Soviet government on May 7 that the meeting of the arbitration court could be cancelled only by the wish of both parties. The Lena Gold-

51. Cf. Central Concessions Committee of the U.S.S.R., *Documents Concerning the Competence of the Arbitration Court set up in Connection with Questions Outstanding between the Lena Goldfields Company Limited and the U.S.S.R.*, Moscow, 1930, p. 44 et seq.; for text of the award of the arbitration court, cf. *The Times* (London), September 3, 1930, p. 7.

52. The Soviet government claims that the Lena Goldfields Company owes it 15,000,000 rubles for credits, unpaid royalties and advances in connection with commercial selling operations. (Dr. S. A. Bernstein, *The Financial and Economic Results of the Working of the Lena Goldfields, Limited*, London, Blackfriars Press, 1930.) According to Soviet estimates based on figures given by the Lena Goldfields, 2 per cent of the new capital invested in the concession during the last few years consisted of the company's own resources, and 98 per cent consisted of credits, 28 per cent of which had been extended by Soviet banks. ("Mise au Point sur la 'Crise' des Concessions Etrangères en U.R.S.S.," *La Vie Economique des Soviets*, April 5, 1930, p. 1.)

53. *Documents*, cited, p. 24-25.

54. *New York Times*, May 30, 1930.

fields stated that the court was properly constituted, and Sir Leslie Scott attended the first session on May 9. The Soviet government persisted in its refusal to attend. The trial opened on August 6 in the absence of a Soviet representative. The attorney for the Lena Goldfields argued that the government had hampered the sale of the company's products in the Soviet Union, had discriminated against persons employed by the company, had refused extensions of the area of the concession regarded as necessary by the company, and had in other ways interfered with the normal operation of the concession. "Lena," he said, "was treated as though it were a stump of capitalism that had to be uprooted."⁵⁵

On September 2, 1930 the court handed down a decision that the conduct of the Soviet government constituted a fundamental breach of the concession agreement and that, in consequence, the company was entitled to be relieved of further obligations thereunder and to be compensated "for the value of the benefits of which it had been wrongfully deprived." The amount of compensation, fixed at \$65,000,000, was assessed on the basis of "the future profits the company would have made and which the Soviet government can now make on the assumption of good commercial management and the best technical skill and up-to-date equipment." The Soviet government, through its embassy in London, refused on September 3 to recognize the validity of the award or to pay the compensation specified.⁵⁶ It is expected that the claim of the Lena Goldfields Company will be examined by the Anglo-Soviet debt commission now sitting in London.

SOVIET TRADE WITH GERMANY

Germany, politically isolated after the conclusion of the Treaty of Versailles, was eager to resume economic relations with the Soviet government, which it had recognized in 1918 at Brest-Litovsk. The Treaty of Rapallo, signed on April 16, 1922 by Rathenau and Chicherin, provided for most-favored-nation treatment.⁵⁷ The two governments agreed to cooperate "in a spirit of mutual goodwill in meeting the economic needs of both coun-

tries." The provisions of the Treaty of Rapallo were supplemented by a trade agreement concluded in 1925 after protracted negotiations, in the course of which Germany demanded, and failed to receive, the special facilities accorded by the Soviet government to Persia and Turkey,⁵⁸ and the right to deal directly with Soviet concerns. Nevertheless, in 1926 Germany extended a 300,000,000-mark credit to German manufacturers on goods exported to the Soviet Union; 75,000,000 marks were added to this credit when it was exhausted. A new 350,000,000-mark credit was granted on Soviet orders in 1930.

Soviet-German trade relations have been subjected to criticism in both countries.⁵⁹ German manufacturers declare that Soviet orders are placed irregularly, that the Soviet trade delegation engages in economic espionage, and that its methods are cumbersome and bureaucratic. German credits, they claim, have been utilized by the Soviet government for the financing of ordinary trade, and not of additional purchases, as had been expected. Soviet officials, for their part, raise objections to the restrictions placed on the use of credits, and assert that German manufacturers frequently sell them inferior goods at high prices. In 1928 the Shakhtinsk trial, which involved three German engineers accused of sabotage, temporarily estranged the two governments.

Agreement, however, was reached on a number of points at the Soviet-German economic conference held in Moscow in December 1928. The final protocol of the conference stated that, after careful discussion of mutual trade relations, both parties had reached the conclusion that these relations had been developing normally on the whole, and that occasional complaints and misunderstandings did not represent phenomena characteristic of the development of economic relations between the two countries.

In spite of these efforts at conciliation, the current year has been marked by further recriminations. Soviet publicists claim that

55. *Ibid.*, August 9, 1930.

56. *Ibid.*, September 4, 1930.

57. League of Nations, *Treaty Series*, Vol. XIX (1923), p. 247. Privileges and facilities which might be granted by the Soviet government to a Soviet Republic or to any State which in the past formed part of the Russian Empire, were excluded from such treatment.

58. Cf. section on trade relations with Eastern countries, p. 374-75.

59. "Les Commandes Soviétiques et les Crédits Allemands," *La Vie Economique des Soviets*, February 5, 1929, p. 3.

Germany has betrayed "the spirit of Rapallo" for the sake of a Western orientation.⁶⁰ More serious still, they state that German manufacturers have deliberately misrepresented the achievements of the Five-Year Plan, with a view to creating the impression that the Soviet economic system is on the verge of collapse. An attempt to adjust outstanding difficulties was made at the Soviet-German conciliation conference which opened in Moscow on June 18, 1930.⁶¹

Germany's Share in Soviet Trade

Industrial development and geographic proximity have won for Germany the largest share of Soviet orders. In 1928-1929 Soviet purchases in Germany aggregated 195,662,000 rubles, the chief items being chemical fertilizers, copper and zinc, rolled-iron products, electrical and agricultural machinery and ships. Soviet exports to Germany increased during this period, reaching a total of 269,940,000 rubles; notable increases were registered in timber, vegetable oil, manganese ore, petroleum products and matches.⁶²

Soviet dumping has as yet occasioned little concern in Germany.⁶³ The export of Soviet rye and barley early in 1930 alarmed the representatives of German agrarian interests. The subsequent upward revision of the German tariff on these items was denounced by the Soviet press as a violation of the trade agreement. The German delegation at Geneva in September 1930 explicitly stated that it would take no part in concerted action against Soviet dumping. Certain sections of the German press have expressed the opinion that Germany would gain little by attacks on Soviet imports, and that in case of danger German interests can best be safeguarded by the tariff or, if need be, by direct negotiations with the Soviet government. These statements have been received with satisfaction in Soviet circles. *Izvestia* remarked editorially on September 24, 1930 that participation by Germany in any one

anti-Soviet group would be fraught with grave consequences for the future of Soviet-German trade.

FRANCO-SOVIET TRADE

The Herriot Cabinet granted recognition to the Soviet government in 1924, in the expectation that this action would stimulate Franco-Soviet trade relations.⁶⁴ Trade between the two countries, however, remains unimportant.⁶⁵ The chief items of French export, which consist of articles of luxury, find no market in the Soviet Union, being effectively barred by the monopoly of foreign trade. Soviet imports from France are consequently limited to chemical fertilizers, tanning materials, various non-ferrous metals, machinery and electrical equipment. France, for its part, furnishes an outlet for Soviet raw materials, principally timber, manganese, flax and petroleum. In 1929 Soviet exports to France aggregated 787,019,000 francs, as compared with imports from that country valued at 253,901,000 francs.⁶⁶

While French critics claim that the Soviet monopoly of foreign trade paralyzes economic relations,⁶⁷ the Soviet government attributes the insignificance of its purchases in France to lack of credits and the absence of a trade agreement.⁶⁸ The Soviet government has offered to make partial repayment of Russia's pre-war debts to France, in return for credits. France, however, refuses to link credits with debts, or to negotiate a trade agreement unless the Soviet government first recognizes the repudiated debts. Negotiations on the subject between M. Rakovsky, Soviet Ambassador in Paris, and M. de Monzie, French Minister of Finance, fell through in 1926, and again in 1927, when France demanded, and obtained, the recall of Rakovsky.⁶⁹

60. N. Kornev, "Crisis Rapallo?" (*A Rapallo Crisis?*), *Mezhdunarodnaya Zhizn* (International Life), March 1930, p. 1. Cf. comments on this article by Dr. Adolf Grabowsky, *Zeitschrift für Politik*, July 1930, p. 225.

61. The conclusions of this conference have not yet been published.

62. Department of Commerce, *Commerce Reports*, April 21, 1930, p. 139. This estimate is based on official Soviet figures. In 1913 Russia's exports to Germany aggregated 452,572,000 rubles, and its imports 642,756,000 rubles.

63. Cf. *Frankfurter Zeitung*, October 5, 1930.

64. The French government permitted its citizens to trade with Russia after June 1920. M. Briand to Lord Hardinge, British Ambassador to Paris, May 24, 1921. *British and Foreign State Papers*, Vol. 114 (1921), p. 271.

65. In 1929 imports from the Soviet Union constituted 1.35 per cent of France's total imports, while exports to the Soviet Union constituted 0.5 per cent of its total exports. ("Le Commerce Franco-Soviétique," *La Vie Economique des Soviets*, a fortnightly review published by the Soviet trade delegation in Paris, October 5, 1930, p. 5.)

66. *La Vie Economique des Soviets*, cited. (French customs figures.) In 1913 Russia's exports to France aggregated 311,221,000 francs, and its imports totaled 60,991,000 francs.

67. *Le Temps*, November 29, 1928.

68. *La Vie Economique des Soviets*, cited.

69. For an account of the Franco-Soviet debt negotiations, cf. Louis Fischer, *The Soviets in World Affairs* (New York, Cape and Smith, 1930), 2 vols., Vol. II, p. 617, 707.

Senator Dalbiez, a member of the Herriot Cabinet in 1924, and president of the economic section of the Franco-Soviet debt conference in 1926-1927, charged on August 2, 1930 that the Soviet government was dumping flax, timber, manganese and petroleum in France. He advocated the establishment of control exchanges to protect French merchants and manufacturers against the importation of Soviet articles at a price fixed, not on the basis of cost of production, "but with the avowed political aim of ruining nations which permit this commerce." He declared that, if the Soviet government did not abandon the practice of dumping, a complete rupture of commercial relations between the two countries would be inevitable.⁷⁰

French Control over Soviet Imports

On October 3, 1930 the French Cabinet adopted a decree providing that henceforth the importation of a number of Soviet products would be subject to license. The imports specified were grain, meat, eggs, sugar, timber, lint, glue and gelatine.⁷¹ In commenting on this decree M. Flandin, French Minister of Commerce, stressed the fact that it did not prohibit imports, but merely established a system of government control not unlike that exercised by the Soviet government under its monopoly of foreign trade. He stated that the balance of trade between the two countries was distinctly unfavorable to France, and that the Soviet government had been known to spend currency obtained by sales in France for the purchase of commodities in other countries. He denied that the decree of October 3 constituted a declaration of economic war against the Soviet Union.⁷²

In spite of M. Flandin's reassurances, the Soviet press views the establishment of a licensing system as the first step in the organization of an economic blockade of the Soviet Union. *Izvestia*, the official organ of the Soviet government, declared that by this act France had definitely assumed the leadership of anti-Soviet forces. "The world crisis," it added, "works against France, and we gravely doubt her success in hampering,

much less ruining, Soviet trade with the greatest world powers."⁷³

On October 21 the Council of People's Commissars published a decree directed chiefly against France and the Little Entente, but intended as a warning to all countries in which there had been agitation against Soviet imports. The decree provides for complete cessation or maximum limitation of purchases by the Soviet government in countries which limit imports of Soviet goods; cessation of the use of such countries' vessels for the transportation of Soviet products; and drastic limitation of the use of their ports, railroads and other transit facilities. Commenting editorially on this decree, *Izvestia* stated on October 21:

"Foreign business circles will have to decide whether to sacrifice the growing Soviet market, which for years to come will require foreign industrial products, or reject participation in the anti-Soviet campaign."

SOVIET-ITALIAN TRADE

In 1924, when Italy recognized the Soviet government and concluded a trade agreement with it, Italian business firms expected to find a profitable market for their products in the Soviet Union. These expectations, however, were not realized. While Italy sought to decrease its economic dependence on Great Britain and overseas countries by purchasing a considerable quantity of wheat, coal, manganese and petroleum from the Soviet government, the latter imported only a few manufactured articles from Italy—automobiles, machinery and textiles. As a result, the balance of trade has been consistently unfavorable to Italy. In 1929 Soviet imports from Italy totaled 70.6 million lire, as compared with exports to that country valued at 340.4 million lire.⁷⁴ Moreover, the cessation of Soviet grain exports in 1926 had an adverse effect on Italian shipping, which had hoped to profit by Soviet commerce in the Black Sea and the Mediterranean.⁷⁵

With a view to remedying this situation, the Italian government on August 3, 1930 concluded a commercial agreement with the

73. *Izvestia*, October 5, 1930.

74. Italian customs figures. In 1913 Russia's exports to Italy aggregated 73,761,000 rubles, and its imports 74,171,000 rubles.

75. Cf. Michele Mazza-Angeli, *L'Italia in Russia* (Rome, Edizioni dell'Unione Internazionale per gli Studi Sociali e Storici, 1925); Virginio Gayda, "Italia e Russia: Per lo Sviluppo dei Commerci," *Il Giornale d'Italia*, August 23, 1930.

70. *L'Ere Nouvelle*, August 2, 1930.

71. *Journal Officiel*, October 4, 1930, No. 234, p. 11359.

72. *Le Temps*, October 5, 1930.

Soviet Union, by the terms of which the former undertakes to guarantee to Italian manufacturers 75 per cent of the credits advanced on Soviet orders. It is hoped, in Italian business circles, that the new arrangement will serve to restore the balance of trade between the two countries. "Italian production," said *Il Giornale d'Italia* editorially on August 23, 1930, "is not inferior in quality and price to that of the major producing countries, and is aided in trade with Russia by proximity, as well as the frequency and rapidity of Italian steamship lines which for some time past have had regular services to important Russian ports."⁷⁶

Objections to the Italo-Soviet commercial agreement were raised by M. William Martin in the *Journal de Genève*. After commenting on the danger to Western civilization which he believes to be inherent in the fulfillment of the Five-Year Plan, M. Martin criticized the Fascist government for countenancing Soviet methods of trade. Italy, he claims, finds it advantageous to purchase raw materials from the Soviet government at dumping prices. It must choose "between being the defender of capitalism or its executioner..."⁷⁷

No concern has as yet been expressed in Italy over Soviet dumping. On October 11 Signor Acerbo, Minister of Agriculture, in answer to a question as to the methods by which the Italian government proposed to combat Soviet dumping, stated that the decline in wheat prices was due, not to Soviet exports, but to the existence of large wheat reserves in the United States and Canada.⁷⁸ In commenting on this statement, *Il Corriere* remarked editorially that Soviet exports do not affect the interests of Italian wheat producers, while the lowering of the price of wheat has been beneficial to Italian consumers.⁷⁹

76. Cf. "Le Développement des Relations Economiques Soviëto-Italiennes," *La Vie Economique des Soviets*, September 15, 1930, p. 1. The text of the agreement of August 3, 1930 has not yet been published.

77. William Martin, "Le Fascisme est-il pour ou contre le Bolchévisme?" *Journal de Genève*, August 19, 1930.

78. Cf. *La Tribuna* (Rome), October 11, 1930. Soviet wheat has been underselling that of all competitors in Italy. (*Christian Science Monitor*, September 20, 1930.)

79. October 12, 1930.

SOVIET TRADE WITH OTHER COUNTRIES

The Soviet government has not been recognized by Belgium, and maintains no trade delegation in that country. In October 1930 the Belgian government decreed that henceforth specified Soviet commodities could be imported only subject to special authorization, and that all ships, whatever their nationality, must be provided with licenses showing the origin of their cargoes.⁸⁰ The Soviet government retaliated by canceling an order for \$2,000,000 worth of nickel which it had recently placed with a Belgian firm.⁸¹

The Soviet Union has no trade agreements with Finland, Poland or Lithuania.⁸² Relations with these countries are regulated by treaties of peace concluded in 1920-1921, and by technical conventions on such subjects as telegraphic, postal and railway communications. Trade agreements were concluded with Latvia in 1927 and Estonia in 1929.⁸³ In view of the fact that these States were at one time closely related to Russia's economy, the Soviet government, in its commercial conventions with other countries, usually reserves the right to accord preferential treatment to "any State which in the past formed part of the Russian Empire."

Scandinavia

The Soviet government has trade agreements with Sweden,⁸⁴ Norway⁸⁵ and Denmark.⁸⁶ The Swedish Match Company, which

80. *Moniteur Belge*, October 25, 1930, p. 5756.

81. *Christian Science Monitor*, October 28, 1930.

82. Ninety per cent of Soviet imports from Finland consist of wood pulp, paper and paper board. The chief Soviet exports to Finland are timber, oil products, grain, oil cake, tobacco, sugar and rubber footwear. In 1927-1928 Finland's imports from the Soviet Union aggregated \$3,856,000, and its exports \$8,482,000. Soviet exports to Poland consist of oil cake, sawn timber, manganese and iron ore, and oil and vegetable products; its imports consist of coal, chemicals, dyestuffs, cotton yarn, iron and steel manufactures, machinery, paper and cardboard. In 1927-1928 Soviet exports to Poland were valued at \$3,567,000, and its imports at \$7,691,000. From Lithuania the Soviet government imports horses, butter and manufactured goods; it exports wheat, sugar, oil products, rubber, cotton goods and chemicals.

83. "Sovetsko-Estonskii Torgovyi Dogovor" (Soviet-Estonian Trade Agreement), *Sovetskaya Torgovlya* (Soviet Trade), May 30, 1929, p. 1. The Soviet government exports sugar, rye, wheat, oats, petroleum, eggs, tobacco, cotton goods, dried fruits and nuts to Latvia, and imports seed, paper, agricultural machinery, iron, steel, wool goods, tools and rubber. Soviet exports to Estonia, valued at \$2,480,000 in 1927-1928, consist of peas and beans, fruit and berries, oil cake, timber and oil products.

84. This agreement was concluded on March 15, 1924. (*Sbornik*, 1928, Vol. I-II, p. 267.) The principal Soviet imports from Sweden are ferrous metals, wire, copper, iron and steel manufactures, machinery, tools and scientific instruments. The chief Soviet exports to that country are fruit, oil cake, timber and oil products. Three concessions are operated in the Soviet Union by Swedish firms, the most important of which are the

enjoys a practical monopoly of the production and sale of matches, either directly or through affiliated companies, has been disturbed during the past two years by the attempt of the Soviet government to invade the market for matches. In its annual report for 1929 the company charges that Soviet competition has assumed a reckless character.⁸⁵ The Soviet government, it claims, has frequently quoted prices so low as to cover only a fraction of the cost of production. The report declares that, in spite of this price policy, Soviet trade organizations abroad have not succeeded in increasing the sale of matches. This statement is contradicted by Soviet statistics, according to which the sale of matches in 1928-1929 was nearly double that for the preceding year, both in quantity and value.⁸⁶

The Swedish Match Company views the Soviet government's refusal to export aspen timber, which in the past constituted 5 per cent of its timber consumption, as a further attempt to hamper its activities. Soviet agents, moreover, are charged with adopting an aggressive attitude toward the company, and with carrying on propaganda against it in the press of various countries. The report asserts that the Soviet government resorts to such propaganda in the hope that it may thereby force the company to enter into a working agreement providing for the extension of credits. Soviet publicists, for their part, accuse the Swedish Match Company of neglecting no method in its struggle with Soviet competition.⁸⁷

A.S.E.A., for the equipment of electrical works in Yaroslavl, and the S.K.F., for the manufacture of ball-bearings.

85. This agreement was concluded on December 15, 1926. (League of Nations, *Treaty Series*, Vol. XLVII, 1926, p. 9.) In 1927-1928 Soviet exports to Norway, consisting chiefly of oil products, aggregated \$1,217,000, while imports from that country, consisting of herrings, ferrous and non-ferrous metals, paper pulp and paper, were valued at \$2,555,000. Three concessions are operated by Norwegian firms in the Soviet Union.

86. This agreement was concluded on April 23, 1923. (*Sbornik*, 1928, p. 20.) In 1927-1928 Soviet exports to Denmark, consisting of butter, oil cake, sawn timber, casings, oil products, corn, rubber, resin and tar, aggregated \$5,895,000, while its imports, consisting of machinery and apparatus, instruments and clocks, were valued at \$1,015,000. Danish firms operate two concessions in the Soviet Union, the most important of which is the Great Northern Telegraphic Line.

87. The Swedish Match Company, *Directors' Report for the Year 1929* (Stockholm, Ivar Haeggstrom, 1930).

88. *Soviet Union Year-Book*, 1930, p. 312; cf. also Department of Commerce, *Commerce Reports*, September 29, 1930, p. 810, "Matches in World Trade." By a contract concluded in April 1929, the Soviet government undertook to furnish Bolivia with matches for ten years. The Swedish Match Company, which had previously had a monopoly of the sale of matches in Bolivia, was forced to shut down its factory.

89. "Sovetskaya Spichechnaya Promyshlennost i Shvedsko-Amerikanskii Spichechnyi Trust" (Soviet Match Industry and the Swedish-American Match Trust), *Sovetskaya Torgovlya* (Soviet Trade), August 22, 1929, p. 10. The International

Central Europe

No diplomatic or trade relations exist between the Soviet Union and Hungary, the government of which looks with disfavor on Soviet political and economic tenets.⁹⁰ The same situation prevails with regard to Rumania.⁹¹ Soviet trade relations with Austria are generally friendly.⁹² In 1927, when Soviet imports of agricultural machinery from Austria declined, the municipality of Vienna voted to guarantee 60 per cent of a 100,000,000-schilling credit, with a view to stimulating Austro-Soviet trade. This credit, most of which covered a period of four years, was found to have been but partially utilized in 1929, and was consequently renewed.⁹³ Relations between the Soviet Union and Czechoslovakia, which recognizes the Soviet government *de facto*, but not *de jure*, are regulated by a provisional agreement concluded in 1922.⁹⁴

The Soviet government maintains no diplomatic or trade relations with Bulgaria or Yugoslavia, both of which are sympathetic to the cause of *émigré* Russians. On June 11, 1929 the Soviet Union concluded a trade agreement with Greece.⁹⁵ A number of Greek ships were chartered in September 1930 for the transportation of grain from Soviet Black Sea ports.

SPECIAL TREATMENT ACCORDED EASTERN COUNTRIES

The trade relations of the Soviet Union with its eastern neighbors—Persia,⁹⁶ Tur-

Match Company in the United States is affiliated with the Swedish Match Company.

The Swedish press has complained that the Soviet government is dumping wheat, timber, textiles and fruit in Sweden. Cf. *Sydsvenska Dagbladet* (Malmö), October 10, 1930, which states, however, that the majority of Swedish industries will find it possible to meet Soviet dumping for some time to come.

90. In October 1930 Count Bethlen, Prime Minister of Hungary, issued a decree empowering the Minister of Finance to introduce a license system for imports from countries which have no trade agreement with Hungary. (*Christian Science Monitor*, October 15, 1930.) This measure was preceded by considerable anti-Soviet agitation on the part of Hungarian newspapers, notably *Pester Lloyd* and *Pesti Hirlap*.

91. On October 19, 1930 the Rumanian Ministry of Finance published a circular regulation prohibiting the importation of Soviet goods after October 15. (*Izvestia*, October 23, 1930.)

92. In 1927-1928 Soviet exports to Austria aggregated \$3,903,000, as compared with imports from that country valued at \$8,622,000. The Soviet government exports oil, hides and bristles to Austria, and imports agricultural machinery.

93. Fischer, *The Soviets in World Affairs*, cited, Vol. II, p. 504.

94. In 1927-1928 the Soviet government imported chemicals, dyestuffs, ferrous metals, iron and steel manufactures, machinery, paper, cotton and flax fabrics to the value of \$8,873,000; during that period its exports to Czechoslovakia aggregated \$1,929,000. (*Commerce Yearbook*, 1929, p. 563; *Soviet Union Year-Book*, 1930.)

95. "Sovetsko-Grecheskii Torgovyi Dogovor" (Soviet-Greek Trade Agreement), *Sovetskaya Torgovlya* (Soviet Trade), July 18, 1929, p. 1.

96. The Soviet government concluded a trade agreement with Persia on July 5, 1924 (supplemented by an exchange of notes

key," Afghanistan and Mongolia—are determined by economic considerations totally different from those which govern its relations with Western States. Not only is the Soviet government sympathetic to the aspirations of these countries for political and economic independence, but it finds in the industrially undeveloped East an outlet for Soviet manufactured goods which are not yet sufficiently high in quality to compete on Western markets. The Soviet government, in consequence, has relaxed its monopoly of foreign trade to the extent that it permits Eastern merchants to engage in private trade on Soviet territory,⁸⁶ and guarantees, in the case of Persia and Turkey, the minimum amount of goods it will purchase from these countries. From the East the Soviet Union imports cotton, silk and cocoons, jute, wool, cattle, hides, carpets and such consumers' goods as rice and fruit.⁸⁷ Soviet exports to Eastern countries consist of cotton fabrics, sugar, manufactured goods, oil products and coal. Total imports for 1928-1929 were valued at 115,827 rubles, as compared with exports valued at 126,727 rubles.¹ Soviet trade has now penetrated as far as the Persian Gulf.² It is expected that the recently completed Turkestan-Siberian Railway will give a fresh impetus to trade with Eastern countries.³

SOVIET TRADE WITH CHINA AND JAPAN

China and Japan, in the opinion of the Soviet government, have reached the stage of industrial and financial capitalism, and therefore do not enjoy the privileges conceded to other Eastern countries.⁴ Soviet-Japanese

trade has steadily increased since 1926, when a Soviet trade delegation was established in Tokyo, but the total turnover constitutes as yet less than one per cent of Japan's foreign trade.⁵ The profits of Japanese concessions in the Soviet Union, freight payments to Japanese vessels, and wages paid to Japanese workers in Soviet fisheries, however, generally create a balance of trade favorable to Japan. It is hoped in Japanese business circles that the Export Credit Compensation Act which came into effect on August 1, 1930 will serve to increase Soviet purchases in Japan.⁶ This act provides that the government may grant compensation up to 70 per cent on losses incurred by Japanese banks on bills of exchange and promissory notes issued against Japanese goods destined for Central and South America, Africa, the Near East and the Soviet Union.

In accordance with the terms of the treaty of January 21, 1925, contracts for concessions to exploit coal and oil fields in North Sakhalin were concluded with the Soviet government on December 14, 1925 by Japanese industrial concerns.⁷ The North Karafuto Oil Company, which controls three concessions in the eastern portion of North Sakhalin, is the only Japanese concession which has been in a position to declare dividends. The timber concession granted to a Japanese concern in 1926 has expired. The Showa Gold Mining Company is operating a con-

concerning trade relations, October 1, 1927) and a customs convention on March 10, 1929. (Cf. "Tamozhennaya Conventzia s Persiei" [Customs Convention with Persia], *Sovetskaya Torgovlya* [Soviet Trade], April 19, 1929, p. 7.)

97. The Soviet government concluded a trade agreement with Turkey on March 11, 1927. (*Sbornik*, 1928, Vol. IV, p. 100.)

98. It is planned, however, to reduce in the future the volume of private trade by Eastern merchants. (Cf. "Torgovlyas Vostokom" [Trade with the East], *Sovetskaya Torgovlya* [Soviet Trade], July 25, 1929, p. 13.)

99. Imports for 1928-1929 showed a marked increase for wool, silk and cocoons, and tanning materials, and a decrease for cotton and consumers' goods.

1. Department of Commerce, *Commerce Reports*, April 14, 1930, p. 82.

2. On November 1, 1928 the Soviet government concluded a treaty of friendship and commerce with the Yemen.

3. Bruce Hopper, "Soviet Transport Plans: Winning the East," *Foreign Affairs*, July 1930, p. 652. Soviet trade with Eastern countries is handled by a special organization, the *Vostpostorg* (Eastern Trading Company).

4. Soviet exports to China, consisting chiefly of oil products, metals and carpets, aggregated \$16,430,000 in 1927-1928; im-

ports from that country, the principal item of which is tea, were valued at \$29,406,000. (*Commerce Yearbook*, 1929, p. 568.)

5. The Soviet government exports platinum, santolin, timber, coal and oil cake, and imports rice, sugar, iron and iron manufactures, paper, machinery and fishing tackle. Exports to Japan in 1929 were estimated at ¥25,955,862, and imports at ¥17,405,423 (Japanese official figures). (Cf. "Le Commerce Soviét-Japonais," *La Vie Economique des Soviets*, October 5, 1930, p. 10; "K Voprossu o Sovremennykh Sovetsko-Iaponskikh Vzaimootnosheniyach" [Concerning Soviet-Japanese Economic Relations], *Sovetskaya Torgovlya* [Soviet Trade], March 28, 1928, p. 3.)

6. Cf. Viscount Inouye, "Soviet-Japanese Economic Relations," an address delivered on June 9, 1930, before the U.S.S.R. Chamber of Commerce for Western Trade. (U.S.S.R. Chamber of Commerce for Western Trade, *Monthly Bulletin*, July 1930, p. 4.) Viscount Inouye stated that the irregularity of Soviet orders and the difficulty of obtaining adequate information regarding Soviet economic requirements constituted an obstacle to the development of trade between the two countries.

7. Cf. T. A. Bisson "The Re-Orienting of Japan's Foreign Policy," F. P. A. *Information Service*, Vol. VI, No. 16, October 15, 1930, p. 289. The oil concession is operated by the North Karafuto (Sakhalin) Oil Company, organized in 1926, with a capital of ¥10,000,000; the coal concession is operated by the North Karafuto Mining Company, organized in 1926, with a capital of ¥10,000,000. It is estimated that in 1928 100,000 tons of oil were obtained by the Japanese in North Sakhalin, and that the production of the coal concession averages 10,000 tons a month. ("K Voprossu o Sovetsko-Iaponskikh Ekonomicheskikh Vzaimootnosheniyach," cited.)

cession for the exploitation of gold deposits in the Okhotsk region which it obtained in 1927. On January 23, 1928 the two governments signed a fishery convention revising the convention of 1907. It re-affirmed the rights of Japanese companies to fish in the waters of the Soviet Far East, with the exception of thirty-seven gulfs and bays specially enumerated. By the terms of this convention approximately 63.7 per cent of the fishing grounds on the seacoast are allotted to Japan.⁸

SOVIET TRADE WITH THE UNITED STATES

The official policy of the American government concerning trade with the Soviet Union was expressed in President Coolidge's message to Congress, December 6, 1923 when he said: "Our government offers no objection to the carrying on of commerce by our citizens with the people of Russia." The conditions under which this commerce takes place were outlined by Secretary of State Kellogg in a statement of April 14, 1928:

"As concerns commercial relations between the United States and Russia, it is the policy of the Government of the United States to place no obstacles in the way of the development of trade and commerce between the two countries, it being understood that individuals and corporations availing themselves of the opportunity to engage in such trade do so upon their own responsibility and at their own risk.

"The Department of State has endeavored to reduce to a minimum difficulties affecting commercial relations. Visas are readily granted by American consular officers to Russian nationals even if associated with the Soviet régime provided that the real purpose of their visit to the United States is in the interest of trade and commerce and provided that they have not been associated with the international revolutionary activities of the Bolshevik régime."⁹

The United States has not recognized the Soviet government, and has concluded no trade or other agreements with it. Soviet-American trade is carried on through the following Soviet agencies in New York: the Amtorg Trading Corporation, organized in

Soviet trade with South American countries is as yet unimportant,⁹ but the Soviet government looks to its development in the near future. Uruguay and Mexico alone have recognized the Soviet government; the latter, however, broke off diplomatic relations in 1930. *Yuzhamtorg*, the Soviet organization for trade with South America, has its headquarters in Buenos Aires, and a trade delegation has been established in Montevideo.

1924, which represents the principal trading and industrial organizations of the Soviet Union; *Centrosoyus* (the Central Union of Consumers' Cooperatives); *Selskosoyus* (the Central Union of Agricultural Producers' Cooperatives); and the All-Russian Textile Syndicate, which purchases cotton for the Soviet Union.¹⁰

THE FISH COMMITTEE AND AMTORG

On May 2, 1930 Mr. Grover Whalen, Police Commissioner of New York, made public documents which, in his opinion, showed that the Amtorg Trading Corporation was one of the channels through which the American Communist party maintained contact with, and received financial assistance from, the Third International in Moscow. These documents were denounced as forgeries by M. Bogdanov, chairman of the corporation, who pointed out several discrepancies in the texts and demanded a thorough investigation. A committee appointed by Congress to investigate Communist propaganda in the United States, with Representative Hamilton Fish, Jr. as its chairman, examined the activities of Amtorg. The printer of the letterheads of the Whalen documents offered evidence which appeared to show that the latter had been forged. Officials of Amtorg were called as witnesses, but no action was taken against the organization pending investigation in other sections of the United States.¹¹

8. *Economic Review of the Soviet Union*, July 1, 1930, p. 285.

9. The total value of Soviet imports from South America in 1928-1929 was estimated at \$18,480,000, as compared with exports valued at \$3,280,780. (*Soviet Union Year-Book, 1930*, p. 361.) The chief Soviet imports are hides, coffee, cocoa, wool, iodine and quebracho; the chief exports, furs, timber, coal, plywood, oil and vegetable products.

10. "Foreign Relations," Republican National Committee, Bulletin No. 5, 1928. For a discussion of the government's views regarding the recognition of the Soviet government, cf. V. A. Michales, "The United States and Russia," F. P. A. *Information Service*, Vol. IV, No. 25, March 6, 1929, Part I.

11. The Soviet Union Information Bureau, with offices in Washington, D. C., serves as a clearing house of information, and publishes a monthly review, *The Soviet Union Review*. A fortnightly publication, *The Economic Review of the Soviet Union*, is published by the Amtorg Trading Corporation.

12. For an account of the testimony presented before the Congressional committee in New York, cf. United States Con-

The work of the Fish committee aroused indignation in the Soviet press, which denounced it as a "sideshow," and declared that it had created a serious obstacle to Soviet-American trade. On July 25 M. Litvinov, People's Commissar for Foreign Affairs, in a statement addressed to the foreign press, said: "In this case it is perhaps lucky for the United States that we have no diplomatic connection or we would certainly have made a vigorous protest."

Despite the absence of recognition, exports from the United States to the Soviet Union have shown a marked increase during the past year. This increase is attributed to the fact that American industry is particularly well adapted for the manufacture in large quantities of the industrial and agricultural machinery required in the application of the Five-Year Plan. The following table shows the development of Soviet-American trade over a period of three years:

SOVIET-AMERICAN TRADE¹³

	1913	1927	1928	1929-1930 ¹⁴
Exports to the Soviet Union	\$26,465,000	\$64,824,000	\$74,091,000	\$127,000,000
Imports from the Soviet Union ..	29,315,000	12,974,000	14,025,000	23,500,000

INCREASE OF IMPORTS
FROM THE SOVIET UNION

Soviet imports from the United States, far from declining in 1929-1930 as did those of many European countries, showed a considerable increase. This increase resulted from large purchases of electrical apparatus, automobile and transport material, and especially tractors and tractor parts. The value of agricultural implements exported to the Soviet Union in 1929-1930 aggregated \$43,000,000, an increase of \$33,000,000 over the preceding year. During the first six months of 1930 the Soviet government bought here tractors valued at \$21,705,867, as compared with purchases valued at \$4,306,345 for the same period in 1929. Total purchases of tractors and parts during the first six months of 1930 constituted 81 per cent of

total American exports to the Soviet Union.¹⁵ Cotton exports, however, declined by \$18,000,000.

Soviet exports to the United States increased by 24 per cent in 1929-1930; they constituted 0.6 per cent of total American imports, and their value was less than one-sixth of American exports to the Soviet Union. Increases were registered for furs, lumber, precious metals (especially platinum), manganese ore, coal and matches; imports of agricultural and animal products declined considerably.¹⁶

ATTACKS ON
SOVIET IMPORTS

The increase in imports of lumber, pulpwood, manganese and coal aroused alarm on the part of American concerns engaged in the production of these articles, and they, together with the American Wage Earners' Association, headed by Mr. Matthew Woll, vice-president of the American Federation of Labor, brought pressure to bear on certain Senators and on the Treasury Department, with a view to obtaining the limitation, and even the total exclusion of such imports. Two main arguments are advanced against the continuance of unrestricted importation of Soviet goods. First, it is asserted that all labor in the Soviet Union is

gress, House, *Investigation of Communist Propaganda*, Hearings before a Special Committee to Investigate Communist Activities in the United States, 71st Congress, 2nd Session (Washington, Government Printing Office, 1930), Part 3, Vol. 1. Discussion of Communist propaganda in the United States does not come within the scope of this report. For a brief analysis of this question, cf. V. A. Micheles, "The United States and Russia," cited.

13. The figures for 1913 are based on estimates for the fiscal year ending June 30, 1913. Department of Commerce, *Foreign Commerce and Navigation of the United States, 1913* (Washington, Government Printing Office, 1914). The figures for 1927 and 1928 are based on estimates for the calendar year. Cf. *Foreign Commerce and Navigation of the United States* for the respective years. These figures cover trade with Russia in both Europe and Asia.

14. Department of Commerce, *Monthly Summary of Foreign Commerce, June 1930*, Part II. (These figures cover trade with Soviet Russia in Europe and Asia.) According to the figures of the Amtorg Trading Corporation, Soviet purchases in 1929-1930 totaled \$149,223,000, while Soviet sales totaled \$31,017,000. (Cf. Peter A. Bogdanov, "Soviet-American Trade during the Fiscal Year 1929-1930," *Economic Review of the Soviet Union*, October 1, 1930, p. 365.) The apparent discrepancy between Soviet and American figures is due to the fact that the Soviet fiscal year has, up to the present, ended on September 30, whereas the figures of the Department of Commerce are compiled on the basis of a year ending on June 30. Moreover, the figures of the Department of Commerce include only goods actually exported from the United States, while those of the Amtorg Trading Corporation cover all purchases in this country, whether or not they have been exported. Unless otherwise specified, the figures subsequently used in the text are those published by the Department of Commerce.

15. Department of Commerce, *Commerce Reports*, August 25, 1930, p. 470. According to Soviet estimates, the composition of Soviet imports from the United States for the calendar year 1929, by commodities, was as follows: 55 per cent manufactured products (largely machinery and equipment), 36 per cent raw materials (largely cotton) and 7 per cent semi-manufactured goods.

16. According to Soviet estimates, the composition of Soviet exports to the United States for the calendar year 1929, by commodities, was as follows: 6½ per cent finished manufactured goods, 19 per cent foodstuffs, 12 per cent semi-manufactured goods and 63 per cent raw materials.

in the employ of the government, which fixes wages and prices, and that Soviet goods are *ipso facto* products of involuntary labor. Section 307 of the 1930 Tariff Act¹⁷ prohibits the importation not only of articles produced by convict labor, as in the 1922 Tariff Act, but of those produced by forced or indentured labor as well. According to Mr. Woll, the latter portion of the section, which does not become effective until January 1, 1932, was written into the act on the demand of organized labor, with the Soviet situation in mind.¹⁸

The application of the portion of Section 307 relating to "forced labor" presents a fundamental problem: how is the existence of "forced labor" to be determined? The Treasury Department is not in a position, even if it wished, to investigate labor conditions in the Soviet Union, with which this country has no official relations; conversely, it has so far refused to take action merely on hearsay. Organizations interested in the continued importation of Soviet goods may be expected, as in the past, to deny that these goods are produced by "forced labor." It appears probable, however, that when the provision concerning "forced labor" goes into effect in 1932, the Treasury Department will follow the precedent established for convict labor, and place the burden of proof on the importer in each case. The regulations issued by the Department on November 24, 1930 provide that if, after investigation, the Commissioner of Customs ascertains that convict labor is used in any locality in a foreign country in the production of any class of merchandise, he shall publish a finding to that effect. Any merchandise of that class imported after such publication from that locality shall be held to be an importation pro-

hibited by Section 307 of the 1930 Tariff Act, unless the importer establishes "by a preponderance of evidence" that the merchandise was not produced wholly or in part by convict labor. Merchandise of the class specified in the finding shall not be admitted to entry or released from customs custody unless the importer files with the collector a bond conditioned on the return of the merchandise within three days if he fails to submit a certificate of origin within three months of the date of entry or if the collector decides that the merchandise in question was produced by convict labor. The certificate of origin must be signed by the foreign seller or owner under oath or affirmation before an American consular officer, or if the place where the certificate is executed is so remote from an American consulate as to render such procedure impracticable, "then under an oath or affirmation, for falsity of which he will be punishable under the laws of the jurisdiction where it is made."¹⁹

The second argument against Soviet imports is that they are dumped in this country by the Soviet government. Failing complete exclusion, it is asserted that a special duty should be levied on Soviet goods under the Antidumping Act of 1921. This act provides that, whenever it is ascertained that the purchase, or exporter's sales, price is less than the foreign market value (or, in the absence of such value, than the cost of production) of a given article, a special dumping duty in an amount equal to such difference shall be levied on the article. Opponents of Soviet goods claim that they are sold in the United States at a price below the cost of production, and at a price frequently lower than that at which they are sold in other foreign markets. The difficulty of determining the cost of production or fair market value in a country where the government is employer of labor, producer and exporter in one, and where private trade has been reduced to a minimum, presents a serious obstacle to the application of the Antidumping Act. Moreover, it is not at all certain that the Soviet government, if pressed for immediate funds,

17. *Tariff Act of 1930*, 71st Congress, 2nd Session, Senate, Document No. 166, Section 307, p. 112. "All goods, wares, articles, and merchandise mined, produced or manufactured wholly or in part in any foreign country by convict labor or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited, and the Secretary of the Treasury is authorized and directed to prescribe such regulations as may be necessary for the enforcement of this provision. The provisions of this section in relation to goods, wares, articles and merchandise mined, produced or manufactured by forced labor or/and indentured labor, shall take effect on January 1, 1932; but in no case shall such provisions be applicable to goods, wares, articles, or merchandise so mined, produced, or manufactured which are not mined, produced, or manufactured in such quantities as to meet the consumptive demands of the United States."

"'Forced labor,' as herein used, shall mean all work or service which is exacted from any person under the menace of any penalty for its non-performance and for which the worker does not offer himself voluntarily."

18. *New York Times*, July 28, 1930.

19. *Ibid.*, November 25, 1930. It is also argued that additional duties may be imposed on Soviet goods under Section 303 of the Tariff Act, which provides for the levying of countervailing duties on articles the manufacture, production or export of which has been aided by a government bounty or grant. Cf. letter addressed to Mr. Mellon, Secretary of the Treasury, on October 12, 1930 by the National Lumber Manufacturers' Association. *New York Times*, October 13, 1930.

would not undertake to sell its goods at so low a price as to invalidate even the additional duties.

THE CONTROVERSY OVER TIMBER

A detailed examination of the charges made by various American organizations concerned over the increase of Soviet exports to the United States, and the action taken by the government in each case, may serve to clarify the policy of this country toward Soviet goods. In 1929 the Soviet government exported 37,936,000 metric feet of sawn timber to the United States, consisting chiefly of spruce, or over one per cent of the total imports.²⁰ On July 7, 1930 hearings were held in Washington, at the offices of the Treasury Department, to determine whether six shiploads of Soviet spruce detained by customs officials in American ports pending investigation came within the provisions of Section 307 of the Tariff Act. The shipping companies engaged in the transportation of Soviet timber protested against the detention. American importers of Soviet timber and representatives of the Amtorg Trading Corporation denied that convict labor had been employed in either cutting or loading the timber. Amtorg officials claimed that workers in lumber camps were employed under voluntary agreement, and earned as much as 300 rubles (\$150) a month, if energetic, as compared with an average national wage for skilled labor of about 120 rubles (\$60). A gloomy picture of the conditions under which peasants and other persons imprisoned for political reasons are obliged to load timber at Soviet ports, however, was drawn by officers of British ships chartered by the Soviet government. On July 8 the Treasury Department, declaring that the evidence presented at the hearings had been "conflicting and inconclusive," instructed the collectors of customs to release the detained shipments of timber. In a letter made public on July 17, Mr. Matthew Woll, as president of the American Wage Earners' Protective Association, protested against this action, and charged that the International Paper Company, which found it advantageous to purchase Soviet timber, had intervened in

the matter. The release of Soviet spruce was greeted by *Izvestia* as a "demonstration of good sense."²¹

TREASURY BAN PLACED ON SOVIET PULPWOOD

On July 25 Mr. Lowman, Assistant Secretary of the Treasury, announced that an embargo had been imposed on imports of pulpwood from the Soviet Union, pending decision as to whether it was the product of convict labor within the meaning of Section 307 of the Tariff Act. In accordance with this decision, two cargoes of Soviet pulpwood were barred from entry by customs officials on July 28. Mr. Lowman denied that the action taken by the Treasury Department was discriminatory in character, and stated that goods from other countries, if convict made, would receive similar treatment. The International Paper Company, the Amtorg Trading Corporation and representatives of shipping companies protested against the embargo, which met with the approval of the American Wage Earners' Protective Association. Following intervention by President Hoover, the embargo was raised by the Treasury Department, on the ground that the evidence adduced had failed to establish the fact that Soviet pulpwood was produced by convict labor. The United States imports over 50 per cent of the pulpwood consumed in this country. No pulpwood was imported from the Soviet Union before 1929. Shipments in 1930 began only in June, and totaled 103,598 cords on September 1. Soviet pulpwood is said to surpass in quality both the American and Canadian product.

MANGANESE PRODUCERS OPPOSE SOVIET IMPORTS

On July 26 the American Manganese Producers' Association announced the intention of seeking an embargo on Soviet manganese similar to that which had been placed on Soviet pulpwood the preceding day. On August 11 the association petitioned the Secre-

20. In 1927 (latest available figures) 529,000,000 board feet of spruce were cut in the United States. (*Commerce Year Book, 1929, Vol. I, p. 356.*)

21. August 5, 1930. Hon. William Ramseyer of Iowa, speaking in the House of Representatives on May 2, 1930, read into the record a letter addressed by the Department of Commerce to the National Lumber Trade Association, which stated that Soviet timber does not come into direct competition with the majority of American woods, and that no better timber exists in Europe than Soviet pine and spruce. The letter pointed out that the Soviet government has evidently deprived its own citizens of timber "in order to export as large quantities as possible, thereby raising the necessary money for the purchase of supplies from abroad." (*Congressional Record, 71st Congress, 2nd Session, May 3, 1930, Appendix, p. 8598.*)

tary of the Treasury, under the provisions of the Antidumping Act, to suspend the sale of manganese ore imported from the Soviet Union, pending an investigation of the additional duty chargeable against such imports "by virtue of the fact that such ore is freely offered and sold in the United States at less than its fair market value and at less than the indicated cost of production in Russia."

Manganese ore, which is used in the manufacture of iron and steel, is found in large quantities only in Russia, Brazil, British India and the Gold Coast. In 1913 the United States imported 139,372 long tons of manganese content from Russia, or 34 per cent of its total manganese imports. Attempts made during the war to develop manganese production did not succeed in making this country independent of imports: the output of domestic mines in 1929 totaled 60,379 tons, as against an estimated consumption of 725,438 tons. Moreover, the manganese content of American ore is generally too low to meet the requirements of the iron and steel industry without previously going through an expensive treatment.²²

The resumption of mining at Chiaturi and Nikopol in 1921 was followed by steadily increasing exports of manganese, which in 1928-1929 reached 899,969 tons out of a total production of 1,256,788 tons.²³ Soviet officials claim that not more than 3 or 4 per cent of the manganese output is consumed by Soviet industry. During the first six months of 1930 the United States imported 86,461 long tons of manganese content from the Soviet Union, or 47 per cent of its total imports. The chief purchasers of Soviet

manganese, next to the United States, are Belgium, France, Holland, Italy and Germany.²⁴

American manganese producers assert that Soviet manganese is mined by convict labor, which makes it possible for the Soviet government to dump it abroad, regardless of the world price. As in the case of other commodities exported by the Soviet government, it is difficult, if not impossible, to determine the cost of production of manganese, or to assess its "fair market value." Producers of manganese in British India have likewise complained of Soviet dumping, stating that they were unable to deliver ore at the price quoted by the Soviet government, unless they were accorded preferential freight rates from the mines to the port of shipment. In many quarters, however, the decline of the world price of manganese is attributed to overproduction, accumulation of stocks in producing countries, notably India and Brazil, and decline in consumption by the steel industry.

ANTHRACITE PRODUCERS INVOKE ANTIDUMPING ACT

In April 1930 the Anthracite Institute, the Anthracite Co-operative Association, an organization representing workers, employers and consumers, and the United Mine Workers of America petitioned the Secretary of the Treasury for an embargo on Soviet anthracite coal under the provisions of the Antidumping Act. The organizations favoring the embargo charged that Soviet anthracite coal was produced by involuntary or even forced labor, and that the ships engaged in its transportation were subsidized by the Soviet government, with the result that Soviet coal could be sold in the United States at several dollars a ton less than the coal mined in Pennsylvania. They claimed, moreover, that the export of Soviet coal to Canada had reduced orders from that country to American mines.

Soviet anthracite coal is mined in the Donetz Basin, and subsequently exported from Mariupol, on the Sea of Azov, through the

22. Cf. testimony of Thomas J. Doherty, tariff counsel for the American Iron and Steel Institute at hearings before the Customs Bureau on September 9, 1930. (*New York Times*, September 10, 1930.) Russian ore contains, on the average, from 45 to 55 per cent manganese, as compared with an average manganese content of American ore of 35 to 45 per cent. (United States, Tariff Commission, "Manganese," *Industrial Readjustment of Certain Mineral Industries Affected by the War*, Washington, Government Printing Office, 1920, p. 123.)

23. *The Soviet Union Year-Book, 1930*, p. 133 and 303. The Georgian Manganese Company, Ltd. (W. A. Harriman and Company) obtained a manganese concession at Chiaturi in 1925 for a period of twenty years. The liquidation of this concession in 1928 was attributed by the Soviet government to the inability or unwillingness of the concessionaire to invest the necessary capital. It has been charged, however, that the Soviet government had been selling Nikopol manganese abroad, especially in Germany, at a price which the Harriman concern was not in a position to meet, thus practically forcing it out of business. By an agreement dated August 21, 1928 the Soviet government guaranteed to repay the investments of Harriman and Company in the form of a 7 per cent loan to be paid off in fifteen years. (*New York Times*, October 27, 1928.) It is estimated that during the past year Soviet manganese production reached 98.7 per cent, while exports reached 75.2 per cent of the pre-war figures. (*Controlye Tzifry* [Control Figures], cited, p. 327.) In 1913 Russia produced 1,284,370 tons of manganese ore. (*Industrial Readjustment*, cited.)

24. In October 1930 Soviet ore of a 52 to 55 per cent manganese content was quoted at 27 to 28 cents per long ton unit c.i.f. North Atlantic ports, exclusive of duty, as compared with the following: Brazilian, 46 to 48 per cent manganese content, 25 cents; Chilean, 47 per cent manganese content, 30½ cents; Indian, 48 to 50 per cent manganese content, 27 to 28 cents; South African, 52 to 54 per cent manganese content, 27 to 28 cents; domestic, f.o.b. Colorado mines, 20 to 25 per cent manganese content, 30 cents. (*Engineering and Mining Journal*, October 23, 1930, p. 420.) The American tariff imposes on manganese a duty of one cent per pound of metallic content.

Black Sea, the Mediterranean and the Atlantic at half a dollar cheaper than the rail-rate from Pennsylvania to New England. According to Amtorg, however, it sells at about a dollar a ton higher than domestic anthracite. The average monthly wage of the Soviet miner is estimated at 66 rubles (\$34); face miners or cutters receive 4.20 rubles (over \$2) a day. In 1913 Russia produced 35,822,740 tons of coal, of which 25,287,280 were furnished by the Donetz Basin. The output for 1928-1929 was estimated at 40,570,000 tons, the Donetz Basin being responsible for 30,900,000 tons.²⁵ The total exports of coal, coke and anthracite for that year were 1,150,629 tons, which went chiefly to France, Italy and Turkey.²⁶ No anthracite coal was exported to the United States until 1929, when 113,170 tons (about 26 per cent of the total imports) entered this country; 101,202 tons were imported during the first six months of 1930. Anthracite coal is not used in Soviet industry, with the result that it is impossible to determine its fair market value in the Soviet Union. Meanwhile, American anthracite production has steadily declined since the strike of 1925-1926, and is at present estimated at an annual average of 63,000,000 tons, of which about 3,000,000 go to Canada.

SECRETARY HYDE ATTACKS SOVIET WHEAT TRANSACTIONS

In a telegram addressed to the president of the Chicago Board of Trade on September 19, Mr. Hyde, Secretary of Agriculture, charged that the All-Russian Textile Syndicate had contributed to the fall in the price of wheat by short-selling on the Chicago grain exchange.²⁷ Mr. Hyde asserted that the Soviet government would find it impossible to deliver the 5,000,000 bushels of wheat involved (later estimated at 7,500,000) in the face of an American duty of forty-two cents a bushel, and that it had manipulated the market for the purpose of stirring up discontent among American farmers. The vice-president of the Soviet syndicate admitted short sales of wheat on three consecutive days in September, but denied that the transaction had other than business motives.²⁸ American grain experts,

for their part, expressed the opinion that short-selling by domestic and foreign dealers was a common practice, and that the amount sold by the Soviet government could not materially affect prices on an exchange with a daily turnover of some 50 million bushels.²⁹ Nevertheless, after consultation with Secretary Hyde, the Chicago Board of Trade passed the following resolution on September 26:

"The board wishes to show every effort of cooperation in the protection of the American farmer in the free grain markets. It is the conclusion of the board that the selling of futures upon our exchanges by any foreign government is a new development of commerce of seriously objectionable character, and it must be brought to an end."³⁰

In spite of this measure, the price of wheat fell on September 27 to 74½ cents a bushel, the lowest figure since September 1906.

On October 3, 1930 the leaders of the manganese, coal, timber, sausage casing, match³¹ and glue industries in the United States organized a "joint conference on unfair Russian competition." This group has pledged its support to Senator Oddie of Nevada, who has introduced in Congress a bill providing for an effective embargo on all goods mined, manufactured or produced in the Soviet Union.³² No embargo has as yet been imposed on Soviet goods, except in the case of pulpwood, where it was promptly revoked. Hearings, however, are being held at the Treasury Department with regard to Soviet manganese and anthracite.

GOVERNMENT POLICY ON LOANS AND CREDITS

The government of the United States "views with disfavor the flotation of a loan in the United States or the employment of American credit for the purpose of making an advance to a régime which has repudiated the obligations of Czarist Russia to the United States and its citizens and confiscated the property of American citizens in Russia."³³

29. *Ibid.*, September 26, 1930.

30. *Ibid.*, September 27, 1930.

31. On May 23, 1930 the Bureau of Customs announced that the Secretary of the Treasury had issued an order against Soviet matches of the safety type, on the ground that they were sold in the United States at less than their fair value within the meaning of the Antidumping Act of 1921. (*United States Daily*, May 26, 1930, p. 979.)

32. *United States Daily*, December 3, 1930, p. 3007.

33. Mr. Kellogg, statement of April 14, 1928, cited.

25. *The Soviet Union Year-Book*, 1930, p. 145. Soviet anthracite ranks with Welsh as the best in the world.

26. *Ibid.*, p. 303.

27. *New York Times*, September 20, 1930.

28. *Ibid.*, September 21, 1930.

The Department of State raised objections in 1926 to the financing of Soviet-German trade by means of a German loan which it was proposed to float in this country, on the ground chiefly that "as the Russian debts have not been funded, the government does not feel disposed to extend credits to Russia more than to any other debtor nation which has not met its obligations."³⁴ In 1928 the Department of State objected to the sale in the United States of the Soviet government 9 per cent Railway Loan. One of the reasons for this objection was the inadvisability of permitting the sale of bonds issued by the Soviet government on the security of railroads which had already been pledged for repudiated Russian obligations. The following statement was issued in this connection:

"The department objects to financial arrangements involving the flotation of a loan in the United States or the employment of credit for the purpose of making an advance to the Soviet régime. In accordance with this policy the department does not view with favor financial arrangements designed to facilitate in any way the sale of Soviet bonds in the United States. The department is confident that the banks and financial institutions will cooperate with the government in carrying out this policy."³⁵

The Department of State does not object, however, to "the financing incidental to ordinary current commercial intercourse between the two countries, and does not object to banking arrangements necessary to finance contracts for the sale of American goods on long-term credits, provided the financing does not involve the sale of securities to the public." A number of American firms engaged in the manufacture of industrial and agricultural machinery have extended long-term credits to the Soviet government during the past two years, typical of which is the six-year credit granted by the International General Electric Company in 1928 for the purchase of electrical machinery to the value of from \$21,000,000 to \$26,000,000. The extension of credits to the Soviet government is still regarded in some quarters as involving considerable risk, and Soviet bills can be discounted in this country only with the greatest difficulty and at cor-

respondingly high rates of interest. As a result, credits are generally granted only by large firms willing to face a possible loss for the sake of probable profit. Credit terms fluctuate widely, and are easily affected by public opinion concerning the Soviet government at any given time. Reports of the Soviet anti-religious campaign and of Soviet dumping were in each case followed by a tightening-up of credits. Soviet officials claim that recognition would minimize, in the minds of American businessmen, the risk involved in Soviet transactions, and would result in an increase of credits and a greater volume of Soviet purchases.

CONCESSIONS AND TECHNICAL ASSISTANCE

Only two American concessions are now operating in the Soviet Union, as compared with ten in 1928. These are the Russian-American Compressed Gas Company, a concession for the manufacture of oxygen, acetylene and other gases, granted in 1925, and an agricultural concession for farming in the Northern Caucasus, established in 1926. Both of these concessions are for a period of fifteen years. The Soviet government has contracts with some forty American firms which provide for technical assistance in the installation and operation of industrial and other enterprises, and in some cases for the exchange of patents, but involve practically no outlay of capital by these firms.³⁶ In addition, a number of American engineers, foremen and skilled workers are employed by Soviet trusts and other institutions.³⁷ The Soviet government prefers American specialists, not only because they are regarded as technically more expert than their European colleagues, but also because, unlike the latter, they are not suspected of furthering the interests of former owners of Soviet enterprises.

The American embargo on pulpwood, and subsequent attempts to restrict imports of other Soviet goods, were met in the Soviet Union by threats of retaliation. Soviet officials declared that much as they preferred American machinery and technical assis-

34. *New York Times*, April 11, 1926.

35. State Department, *Press Release*, February 1, 1928. The department had already notified the Chase National Bank of New York, and banks in Chicago and San Francisco which had been named as agents for the payment of interest and retirement charges, of its objections to their plans.

36. For a complete list, cf. Saul G. Bron, *Soviet Economic Development and American Business* (New York, Liveright, 1930), p. 144.

37. *Ibid.*, p. 145.

tance, they would be forced to transfer orders from the United States to other countries unless anti-Soviet agitation ceased and credits became available. As a result of the tightening-up of credits, Soviet orders in the United States which had averaged \$10,000,000 a month during the early part of 1930, fell off to \$3,000,000 in April, May and June. This period was marked by a corresponding increase of Soviet purchases in Germany and Great Britain. In August and September, however, American manufacturers of agricultural machinery and, to some extent, firms producing industrial equipment, offered more acceptable terms, with the result that large orders were placed in the United States by the Amtorg Trading Corporation.³⁸

American shipping, which has been unfavorably affected by the prevailing economic depression, is expected to benefit by American exports to the Soviet Union. On November 6, 1930 the Export Steamship

Corporation of New York concluded a three-year contract with Am-Derutra, a subsidiary of Amtorg, whereby all freight moving from North Atlantic ports to Soviet ports on the Black Sea will be carried by ships of the American Export Line.³⁹

It may be seen from the foregoing analysis that during the past decade the Soviet Union has depended on capitalistic States for industrial equipment and semi-manufactured goods, and has paid for imports by exports consisting chiefly of raw materials. It is as yet too early to say whether the Soviet government, once it has fulfilled the Five-Year Plan, will be able not only to meet the increased domestic demand for manufactured goods, but to export these goods as well. The future alone can show whether the two systems of socialism and capitalism can engage in peaceful commercial competition, or whether an economic conflict between them will become inevitable.

38. *Economic Review of the Soviet Union*, October 15, 1930, p. 397.

39. *New York Times*, November 7, 1930. The American Export Line carried freight to the Soviet Union in 1929-1930 under

a one-year contract. On November 13, 1929 the United States Shipping Board sold twenty-five laid-up cargo vessels to a vice-president of the Amtorg Trading Corporation, for operation under Soviet registry in the coastwise trade of that country. (*New York Times*, November 14, 1929.)

APPENDIX

TABLE I

Chief Russian Pre-War Exports Compared with Soviet Exports in 1928-1929

	1913*	1928-1929†
	(In Rubles)	
Wheat	225,100,000
Rye	32,900,000
Barley	186,100,000
Butter	71,159,000	33,713,000
Eggs	90,639,000	27,763,000
Flax	94,158,000	28,989,000
Oil Cake	38,527,000	20,300,000
Wood and Timber	163,620,000	138,533,000
Manganese Ore	14,575,000	19,059,000
Iron Ore	3,048,000	5,617,000
Oil Products	48,507,000	132,614,000
Matches	6,107,000
Rubber Goods	5,405,000	9,884,000
Cotton Goods	2,563,000
Woolen Goods	1,721,000
Furs	52,995,000	109,119,000
Anthracite Coal	4,515,000

*The Statesman's Year-Book, 1916, London, Macmillan & Co., 1916.

†Soviet Union Year-Book, 1930, cited. No figures are given when exports are negligible in quantity.

TABLE II

American Imports from the Soviet Union

By Commodities

	1913*	1929†
Manganese	\$778,000	\$5,452,000
Furs (undressed)	933,000	4,963,000
Sausage Casings	5,000	2,823,000
Fish and Caviar	148,000	454,000
Timber and Timber Manufactures	207,000	872,000
Licorice Root	655,000	869,000
Anthracite	None	737,000
Bristles	50,000	618,000
Rags	None	413,000
Matches	8,000	353,000
Flax	952,000	179,000
Mushrooms	101,000	161,000
Rugs and other Handicraft Products	93,000	153,000
Pulpwood	53,000	101,000
Candy and Confectionery	5,000	45,000
Wool	3,518,000	None
Hides and Skins	19,163,000	None
Miscellaneous	2,646,000	4,358,000
Total	\$29,315,000	\$22,551,000

*Fiscal year ending June 30, 1913. United States, Department of Commerce, *Foreign Commerce and Navigation of the United States, 1913* (Washington, Government Printing Office). No figures are given when imports are negligible in quantity.

†Calendar year. United States, Department of Commerce, *Foreign Commerce and Navigation of the United States, 1929* (Washington, Government Printing Office, 1930). No figures are given when imports are negligible in quantity.